SBA LEGISLATION AND PROGRAMS (PART 2)

HEARING

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

OF THE

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SBA LEGISLATION AND PROGRAMS (PART 2)

THURSDAY, JUNE 3, 1981

House of Representatives, Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems, Committee on Small Business,

Washington, D.C.

The subcommittee met, pursuant to notice, at 11 a.m., in room 2359, Rayburn House Office Building, Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. Mitchell. The subcommittee will be in order.

This morning, we will conduct a hearing on the Small Business Administration's disaster loan programs and on the administration's proposed changes to these programs.

SBA's disaster programs have for many years provided a needed and compassionate helping hand to individuals and businesses suffering damages as a result of floods, fires, hurricanes, tornadoes, earthquakes, blizzards, volcanoes, and other natural disasters. The agency has also made loans to businesses suffering severe economic injury as a result of these disasters or because of Government decisions or regulations.

This financial assistance has enabled hundreds of thousands of disaster victims to restore their homes or businesses to their predisaster condition and has provided for the quick restoration of jobs, services, business revenues, and taxes wherever disaster has struck. And disaster can strike anywhere. In fact, during the last 4 years, no State in the Union has been spared. From a volcano in Washington to hurricanes in Florida, from winter storms in Maine to earthquakes in California, SBA has often been the only alternative open to homeowners who, without a disaster loan at a reasonable interest rate, would have to sell what was left and rent while still paying off an old mortgage. Disaster loans to businesses have time and time again made the difference between closing the doors and full recovery to grow and prosper.

Even when damage was not severe enough to threaten a business' survival, an SBA disaster loan often relieved the severe cash-flow problems disasters usually cause and allowed that business to affect repairs or inventory replacement and to maintain employment which might otherwise have been curtailed.

Through the years, the terms and eligibility criteria for disaster loans have often been the subject of intense debate. Just last year, the enactment of Public Law 96-302 ended 2 years of extremely difficult negotiations and rewrote the terms of the disaster loan programs of both the Small Business Administration and the Farmers Home Administration so that each agency would offer substantially similar disaster assistance to its borrowers. These negotiations involved six different committees, three agencies, and the White House.

Finally, agreement was reached; however, I am sorry to say, before this historic compromise was given a chance to work, each agency published, without advance notice, new regulations which once again open the doors to discrimination between disaster victims, even victims of the same disaster applying to the same agency.

The subcommittee will be considering H.R. 2997, in which the administration has proposed further extensive revisions in the disaster program. Perhaps the most far reaching of these changes are, first, to restrict disaster loans to only those who have no other access to commercial financing at market rates, regardless of what those rates may be, and, second, to raise interest rates on both home and business disaster loans from the current respective 3 and 5 percent rates to a minimum formula rate, now set in excess of 15 percent.

Shortly after these proposals were made, I instructed the staff to interview a cross section of disaster victims who have used SBA's program and to solicit their views on the administration's proposed changes. These interviews have been conducted and compiled and will be summarized this morning by Thomas G. Powers, general counsel to the committee.

The interviews conducted by the staff were with victims of various disasters in California and Nebraska. This morning, we will hear from two panels of disaster victims from the Baltimore area who were severely affected by flooding as a result of Hurricane David in September 1979. One panel will consist of home disaster loan borrowers and the other of business disaster loan borrowers.

Also, we are pleased to have with us Mr. Bernard L. Berkowitz, president of the Baltimore Economic Development Corp. Mr. Berkowitz is representing the mayor of Baltimore, William Donald Schaefer.

Mr. McDade, the ranking minority member of the committee, has an opening statement he would like to submit. Without objection, the statement will appear in the record at this point.

OPENING STATEMENT OF HON. JOSEPH M. McDADE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. McDADE. Mr. Chairman, I am pleased that you have called this hearing to review the importance of SBA's disaster loan program. As a member who has witnessed first-hand the effects of natural disasters on homeowners and businesses, I know full well how important SBA loans can be. They play a crucial role in the recovery of a community from a disaster.

I believe that our Government has an obligation to assist disaster victims as quickly and as efficiently as possible. We have done this in the past and should continue to do so in the future. Therefore, I have consistently fought for reasonable interest rates and against imposing a credit-elsewhere test. While I understand the President's desire to reduce Government spending, I am deeply concerned that the changes proposed for this program may make it worthless. I hope that we can work with the administration to find cost reductions which are not so burdensome on disaster victims.

I expect that the testimony we receive today will demonstrate clearly the need for low-interest disaster loans. My district has experienced several severe floods in recent years, so I know the difficulties which disaster victims, such as those who will be appearing before us today, must have faced. I am also familiar with the devastation natural disasters can bring to a community structure. I am confident that today's hearing will provide each of us on the subcommittee a much clearer understanding why the SBA disaster loan program is indispensable.

Mr. MITCHELL. We will lead off this morning with Mr. Tom Powers, who will give us a report on his interviews with victims of disasters in Nebraska and California.

TESTIMONY OF THOMAS G. POWERS, GENERAL COUNSEL, COMMITTEE ON SMALL BUSINESS

Mr. POWERS. Mr. Chairman, I am pleased to appear before you this morning, sitting on the other side of the table.

Mr. MITCHELL. This is a rare experience. I generally look for you to my right, not politically, but supportively.

Mr. POWERS. There is a prepared statement before everybody. Unless it is the chairman's pleasure, there is no point in my reading it. I will summarize it and ask that the entire statement be printed in the record.

Mr. MITCHELL. Without objection, the entire statement will be printed in the record, and we await your summary.

Mr. POWERS. Pursuant to the chairman's instruction, approximately 6 weeks ago staff took depositions from 100 SBA disaster loan borrowers in the States of Nebraska and California. These two States were selected because of the high number of disasters which had occurred there in the past 2 years.

In fact, SBA has made approximately 38,000 disaster loans in those two areas alone within the past 2½ years.

The basic information we sought from each of these individuals, which was done by deposition with House reporters, and immediately transcribed, read, and signed by those we interviewed, basically indicated that they would be unable to pay the higher interest rates as proposed by the administration in the bill you have introduced at their request, H.R. 2997.

In total, we took depositions from 93 physical disaster loan borrowers who had obtained an SBA loan to assist them; 61 of these were homeowners, and 32 were businesses.

Of this number, 72 percent stated they would have been unable to pay the higher interest rate as proposed by the administration, 14 percent at the time of the depositions.

I would note that since these depositions were taken, the Federal cost of money has now increased, and it would translate to 15.3 percent, were this law in effect today.

The others who were interviewed, the other 28 percent, 18 percent of them stated they would be able to pay the higher interest rate as proposed, and 10 percent stated that although they could not pay the entire higher interest rate, that they did have the ability to pay more than the rates prescribed under the terms of the disaster law in effect at the time they obtained their loan.

In addition to the 93 physical disaster loan borrowers, we also took depositions from 5 nonphysical disaster loan borrowers. These included borrowers who were displaced by Government projects, and those who had incurred expense in order to comply with Federal legislation mandating changes in their business. All five of these were unable to obtain credit from any other source, and all were unanimous in their statement that without this loan assistance, as is currently provided, and which would not be under the terms of the administration's proposal, that they either would have gone out of business or would have had a substantial decrease in their employment. All five received the loans, and they continue to be viable small business concerns today.

I believe that basically summarizes our findings. We have 100 depositions which have been available in the committee office for examination by members.

I would ask that these depositions be included at this point in the hearing record.

Mr. MITCHELL. Without objection, they will be entered into the record of this hearing.

[Depositions referred to above may be found in the appendix.]

Mr. MITCHELL. I have no questions. I thank you for a job well done. It is very, very clear; your statistics are clear. Seventy-two percent of the borrowers would not have been able to restore their homes or businesses had there not been this disaster loan program available to them. And all of your depositions on the nonphysical disaster indicated they would have been severely impacted or simply would have collapsed.

We will be having markup on disaster legislation at some time in the very near future, and I am afraid we might not get the transcript of this hearing prior to that meeting.

I want to announce that I am instructing the staff to send my opening statement and the copy of Mr. Powers' prepared statement to all of the members of the entire Small Business Committee of the House.

Thank you very much.

Mr. POWERS. Thank you, sir.

[Mr. Powers' prepared statement follows:]

PREPARED STATEMENT OF THOMAS G. POWERS, GENERAL COUNSEL, COMMITTEE ON SMALL BUSINESS

Mr. Chairman, Members of the Subcommittee, I am pleased to present formally the results of the recent committee interviews with disaster loan borrowers. Recognizing that Congress is considering proposals to change the disaster relief lending program for homeowners and businesses administered by the Small Business Administration and that data was necessary to provide information to judge the impact of these changes, the Chairman of the House Small Business Committee instructed the staff to interview disaster loan recipients.

These interviews were designed to gain first-hand knowledge of the SBA assistance being provided and the reaction of participants regarding proposed changes in the disaster relief available.

Pursuant to the Chairman's instructions, during April we took depositions from recent SBA disaster loan borrowers and nonphysical disaster loan borrowers. The sites selected were Nebraska and California as disaster loans had been approved in those localities in the last three years to almost 38,000 borrowers for a total of almost $490 million.

Of these 38,000 borrowers the advance staff contacted several hundred at random and of these one hundred appeared and were deposed. In each case the deposition was taken and immediately typed by official House reporters and transcribers. It was submitted to the witness who then read, corrected if necessary, and signed the deposition.

A brief analysis of existing law, proposed changes found in H.R. 2997, and in the changes by regulation effective March 19, 1981, may be beneficial.

Under existing law, the Small Business Administration is authorized to provide loans to victims of natural disasters if the disaster is of such magnitude as to warrant a disaster declaration by either the President or the Administrator of SBA.

For home disaster victims, loans of up to $55,000 for the home and contents are available. If it is the primary residence, the interest rate is 3 percent; and if it is a secondary residence, the interest rate is based on a formula involving the cost of money to the Federal government (today 9¼ percent). In addition, depending upon the extent of damage, additional refinancing loan assistance of up to $50,000 may be available at the formula rate. The assistance to homeowners is provided without regard to the availability of funds from any other source.

For business disaster victims, loans of up to $500,000 are available. The availability of credit elsewhere is used as a test to set the interest rate: if the business is unable to obtain credit elsewhere, the interest rate is 5 percent; and if the business is able to obtain credit elsewhere the interest rate is based on a formula involving the cost of money to the Federal government for comparable length securities plus 1 percent, which today results in an interest rate of 15 percent.

I want to point out that when these depositions were taken some six weeks ago, the interest rate was 14 percent, but it has now jumped a full point.

In addition, the SBA is authorized to provide loan assistance to victims of nonphysical disasters. These seven programs include loans to small businesses which have been displaced by a program or project of the Federal government, or by a state or local government's project in conformity therewith, and loans to small businesses which are required to comply with Federal laws such as OSHA, water pollution or air pollution or similar state laws. These loans are made at an interest rate based on the cost of money to the Federal government (today 9¼ percent) and are only made to small businesses unable to obtain credit elsewhere.

The administration has proposed legislation, H.R. 2997, which would: (1) set the interest rate on all Federal disaster loans based on a formula involving the cost of money to the Federal government for comparable length securities, which today would result in an interest rate of 15 percent; (2) make loans available only to those disaster victims who are unable to obtain credit elsewhere; and (3) repeal all nonphysical disaster loan programs.

In addition, effective March 19, 1981, SBA published an "emergency regulation" severely restricting eligibility for loans to disaster-damaged businesses.

For loans approved on or after that date, loan amounts to businesses have been restricted to 60 percent of uninsured loss. The maximum loan limit remains at $500,000 for businesses that have suffered direct disaster damage, but was reduced to $100,000 for businesses that have suffered only economic injury as a result of a disaster.

Business disaster loans are now made to those unable to get private credit and are made at an interest rate of 5 percent; those able to obtain private credit or use their own resources cannot receive any loan.

Under the March 19th regulation, disaster loans to homeowners remain unchanged.

The results of the interviews in the states of Nebraska and California are as follows:

NEBRASKA DISASTER LOANS

Severe storms and tornadoes struck Grand Island, Nebraska, and vicinity on June 3, 1980. As a result, the President declared it a major disaster area and SBA issued disaster declaration No. 1851. Subsequently SBA approved 590 loans for $10.5 million.

We deposed twenty-four of these borrowers basically as to their opinion on their ability to pay 14 percent interest (the then current rate of interest under the administration's proposal) as compared with the interest rate they are now paying pursuant to their previously approved loans (Note: these borrowers are paying interest at rates in effect at the time of the disaster which were lower than under existing law.).

Of the twelve homeowners, seven stated they would have been unable to pay 14 percent; two stated they would have been able to pay 14 percent; and three stated they could pay at a rate higher than required by their loan but at less than 14 percent.

Of the six businesses unable to obtain credit elsewhere, four stated that they would have been unable to pay 14 percent interest and two stated that they would have been able to pay the higher rate.

Of the six businesses with credit available elsewhere, three stated that they would have been unable to pay 14 percent interest and three stated that they would have been able to pay the higher rate.

CALIFORNIA PHYSICAL DISASTER LOANS

Middle and Southern California were affected by seven disasters in the past three years which were the subject of our inquiry.

Major fires and high winds affected the Los Angeles-San Bernardino area beginning on November 15, 1980. As a result, the President declared it a major disaster area and SBA issued disaster declaration No. 1956. Subsequently SBA approved 224 loans for a total of $5.7 million.

Severe storms, mudslides and flooding beginning on January 8, 1980, affected the Los Angeles and San Diego areas. As a result, the President declared it a major disaster area and SBA issued disaster declaration No. 1802. Subsequently SBA approved 17,909 loans for $227 million.

Heavy rain, flash floods and mudslides in January 1980 affected the San Bernardino area. As a result, SBA issued disaster declaration No. 1758. Subsequently the SBA approved five loans for $68,000.

An earthquake on October 15, 1979 struck the El Centro area. As a result, the President declared it a major disaster area and SBA issued disaster declaration No. 1723. Subsequently SBA approved 483 loans for $5.9 million.

Heavy rains, flash flooding and mud flows in July 1979 affected Riverside County. As a result, the President declared it a major disaster area and SBA issued disaster declaration No. 1665. Subsequently SBA approved 478 loans for $6 million.

Heavy rains and flooding in February 1979 affected the San Diego area. As a result, SBA issued disaster declaration No. 1583. Subsequently SBA approved 314 disaster loans for $5.6 million.

Severe storms, high tides, wave action, high winds, mudslides and flooding on February 5, 1978 affected the Los Angeles-San Diego-Fresno areas. As a result, the President declared it a major disaster area and SBA issued disaster declaration No. 1441. Subsequently SBA approved 19,296 loans for $159.7 million.

We deposed sixty-nine of these borrowers basically as to their opinion on their ability to pay 14 percent interest as compared with the interest rate they are paying pursuant to their previously approved loans (Note: these borrowers are paying interest at rates in effect at the time of the disaster which were at or lower than those under existing law.).

Of the forty-nine homeowners, thirty-eight stated they would have been unable to pay 14 percent; seven would have been able to pay 14 percent; and four stated they could pay a rate higher than required by their loan but at less than 14 percent.

Of the 14 businesses which were unable to obtain credit elsewhere, nine stated that they would have been unable to pay 14 percent interest and three stated that they would have been able to pay the higher rate; two stated they could pay a rate higher than required by their loan but at less than 14 percent.

Of the six businesses with credit available elsewhere, all six stated that they would have been unable to pay 14 percent interest.

NONPHYSICAL DISASTER LOANS IN CALIFORNIA AND NEBRASKA

We took depositions from five borrowers under SBA's nonphysical disaster loan programs; two were compliance loans (both in Burbank, California) and three were displaced business loans (one in Omaha, Nebraska and two in San Diego, California). All five of these borrowers indicated that without this SBA assistance they would have been unable to continue or reestablish their business in the same manner; that is, they would have either closed or cut back substantially on employment. (See depositions Nos. 1, 28, 40, 69 and 73.)

In summary, of the 93 physical disaster loan borrowers from SBA: sixty-one were homeowners and thirty-two were businesses. Seventy-two percent (74 percent of the homeowners and 69 percent of the businesses) stated that they would have been unable to pay 14 percent interest; 18 percent (15 percent of the homeowners and 25 percent of the businesses) stated that they would have been able to pay the higher rate; and 10 percent (11 percent of the homeowners and 6 percent of the businesses) stated that they could pay a rate higher than required by their loan (a rate which is at or below current rates) but at less than 14 percent.

Of the five nonphysical disaster loan borrowers, all agreed that the SBA loans were responsible for keeping them in business or for preventing a substantial loss in employment.

Of the remaining two depositions, one was from a church group official and one was from a homeowners' association.

Mr. Chairman, this concludes my prepared statement except that I would request that these depositions be included in the hearing record.

Mr. **Mitchell**. Do you have questions for Mr. Powers?

Mr. **Daub**. I have no questions, Mr. Chairman.

I apologize for being late. I had another committee, but I do have a statement.

OPENING STATEMENT OF HON. HAL DAUB, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. **Daub**. Mr. Chairman, I would like to thank in advance those persons who have taken time to come to Washington today to provide insight on their experience with the Small Business Administration disaster loan program.

I want to say at the outset this program has had parts of it that have been very useful to tornado disaster victims, both in my home city of Omaha, Nebr., as well as Grand Island, Nebr., in our colleague Virginia Smith's district in western Nebraska.

It is my hope what we hear today will be useful with respect to contributing to our understanding of this loan program.

We live in a time when many of the assumptions about the ability of Government to insulate us from the vicissitudes of life have been seriously questions; not just by those who instinctively react against the expansion of the role of the Federal Government, but by those who actually designed and implemented that role.

I believe that the administration's effort to restrict this disaster loan program to those who have no alternative avenue of relief is a necessary step in the allocation of our resources. We can no longer afford to have Government write a blank check every time a problem arises.

The taxpayers have made it very clear that they are unwilling to cover these kinds of checks.

In recent weeks we have heard a great deal about fraudulent claims totaling millions of dollars because of the administration of this program and its inadequacy to prevent patently phony claims from being approved. It will be unfortunate if in correcting these abuses, we have to give up some of the flexibility that this program has had in dealing with disasters, but the evidence has shown that the program is in need of reform, a reform that I do support.

Thank you, Mr. Chairman.

Mr. **Mitchell**. Thank you very much for your opening statement.

Let me indicate, as I have done so many times in this committee and in other public forums, where indeed there has been mismanagement, waste, and abuse or any other kind of wrongdoing, I am determined to ferret those things out and eliminate them from existing Government programs. However, I take the position that one does not simply use a wrecking crew to demolish good programs because some individuals or groups of individuals have abused the programs.

So I remain on record as being fully supportive of the disaster loan program, and I remain on record committed to making any necessary changes that will strengthen the program and make it more effective.

Our second witness this morning is Mr. Bernie Berkowitz, a long-term friend of mine from the Baltimore Economic Development Corp.

I don't know how you could get away, Bernie. I know what is going on in the city of Baltimore right now, and I am most appreciative that you would take time to come and be with us.

TESTIMONY OF BERNARD L. BERKOWITZ, PRESIDENT, BALTIMORE ECONOMIC DEVELOPMENT CORP., REPRESENTING BALTIMORE'S MAYOR WILLIAM DONALD SCHAEFER

Mr. **Berkowitz**. Chairman Mitchell, members of the subcommittee, thank you for the opportunity to present Baltimore's and Mayor William Donald Schaefer's views before your hearing. I am here representing Mayor Schaefer, who is unable to be here to testify personally on the bill.

We are opposed to the weakening of the Small Business Administration's disaster loan program, which H.R. 2997 proposes.

Responding to needs created by disasters, which occur randomly and unpredictably across the country, is a very appropriate Federal role. This is a responsibility the Federal Government now assumes with regard to private property damage through the loan programs authorized by the Small Business Act. These loan programs directly aid individuals and businesses in rebuilding homes and business properties which are destroyed by a calamity. At the same time, they help the affected community by adding resources for repair of damage and deterioration and provide incentive for remaining in the community.

Rather than relocating in some other area, Baltimore has needed to use the SBA disaster loan program a number of times over the past 10 years. Fourteen disasters have been declared in the State of Maryland during that period. Three of these were effects due to Hurricanes Agnes and Eloise in 1972 and 1975, and Tropical Storm David in 1979.

In total, 2,074 loans to homeowners and businesses amounting to $22 million were approved in Baltimore City since 1971 to repair damages caused by these disasters. This loan money is, of course, that needed beyond insurance proceeds. It is not an amount that the city of Baltimore could have alternatively been able to provide. We already have a real property tax rate that is over twice as high as any of the surrounding suburban jurisdictions.

If the loans had not been available, portions of the city might have been left in dangerous disrepair, and businesses, with their employment and services, might have failed or left the community, thus causing additional unemployment and fiscal strain.

We have an unemployment rate of 10 or 11 percent, depending on which numbers one looks at—generally about 3 percent above the national average.

This is a problem that is a result of a decrease in our manufacturing employment tax base, the decreases in retail employment, and we have given great attention to stabilizing our employment base and increasing that employment base. We have made considerable strides in that regard.

The loss of the industrial firms, the retailing firms that were affected by some of these disasters would have been very serious indeed. I note there are a number of areas where the city has, itself, invested in what we call the commercial revitalization program, a program of improving existing neighborhood retail areas.

Some two dozen such areas are being improved in the city. Streets, sidewalks, landscaping is being improved in such areas, where the merchants have made commitments to invest their own dollars in improving their facilities.

One of the other witnesses is from the Mount Washington business area, which is one of those 2 dozen areas that have been improved under the commercial revitalization program. The city invested $400,000 in streets, sidewalks, street furniture, and landscaping improvements there. The merchants have invested considerable sums in that area. It was very heavily damaged in Tropical Storm David and, fortunately, a number of the businesses were able to receive disaster loans which enabled them to remain there to provide the business services for the surrounding neighborhoods, to provide the jobs our residents need, and to provide the tax base we also need.

Another area that was seriously affected during Tropical Storm David was the Clipper Mill Industrial Park area in the Jones Falls Valley. There are about 2,000 jobs located in that area of Woodberry/Hampden, and some of the firms that received assistance there include the Built-Rite Kitchens, NURAD Inc., and many others—literally hundreds of jobs involved in those companies that received assistance in the Clipper Mill Industrial Park/Woodberry-Hampden area.

The loss of that employment would have been a very, very severe blow, and the disaster loan program enabled the firms to remain in those locations and for that employment and tax base to remain in the city.

Our experience with the SBA disaster loan program leads us to particularly oppose two provisions of H.R. 2997.

First, the bill proposes a substantial increase in interest rates for many programs. At present, 3-percent homeowner loans for a primary residence and 5- to 15-percent loans for businesses are available. H.R. 2997 would raise interest rates in all cases to the cost of Federal money for comparable length securities, plus 1 percent. Today this is approximately 15 percent.

While such an interest rate may sound reasonable financially, the nature of the program must be remembered. These are loans—to be fully repaid—for expenditures which the borrower has no new resources to meet and which only return the affected property to its predisaster condition. In the case of businesses, the expense does nothing to increase income, and is thus purely nonproductive. It merely returns the business to its previous condition. The burden of the repair expense itself is, thus, significant. Any interest rate on the loan adds a further burden.

Second, we are opposed to H.R. 2997's proposed elimination of seven nonphysical disaster assistance programs. These include the displaced business loans, and water pollution control loans. Both of these programs provide loan money for expenditures which meet a public purpose.

As in the case of repair to physical disaster damage, however, they add nothing to the revenue-producing capability of the business. As a result, the expenditures are also very difficult to finance through private lenders. Federal loan assistance of this type is very justifiable.

Certain other features of H.R. 2997 also weaken the current disaster loan program, and we are concerned about them:

One, the bill would require that all borrowers provide proof that no other credit is available. At present, all borrowers and businesses willing to accept a higher interest rate need not show such proof. We feel the existing procedure is practical and reasonable.

Two, under the bill, only businesses in Presidentially or SBA-designated physical disaster areas may qualify for loans to remedy economic injury caused by a disaster. At present, Governors of States may also request eligibility. In cases such as a fish loss due to a natural disaster, the damage may be economic rather than physical. Again, we support the existing procedure.

In conclusion, Baltimore has found the SBA loan programs to be essential resources in cases of disaster. This Federal resource is both prudent and legitimate.

We, therefore, oppose the provisions of H.R. 2997 which weaken the loan program, particularly the increased interest rates and elimination of nonphysical loans.

Although my prepared statement did not discuss the regulations that were issued by SBA on March 19, we are also very concerned about those. We note that, among other things, those regulations establish a test for credit for businesses to determine the basic eligibility under the program instead of just the interest rates. We are opposed to that provision.

We also note that the March 19 regulations limit the disaster loans to 60 percent of the actual net loss, and in the case of businesses that are not lucky enough to have been insured for that 40-percent difference, we feel there is something very inconsistent about the 60-percent limitation when it is coupled with a test that the business has to meet that it cannot obtain a loan through conventional means. If it can't obtain a loan through conventional means, how can it support itself with a loan for only 60 percent of the actual net loss? We don't feel that is sound from a financing and banking point of view.

Third, we are concerned about the effective date of the interest rate that applies to these loans—whether it would be effective with regard to the disaster, or effective on the basis of when the loans are approved. We feel that it should be made effective on the basis of the occurrence of the disaster, rather than the timing of the approval of the loans.

We have a number of other concerns about the SBA March 19 regulations, but I will limit my comments to those three.

Mr. **Mitchell**. Thank you very much.

Before opening up for questions, I would like to indicate Congressman Hiler has joined us, and Congressman Crockett, and I would also like to announce that at some time in the very near future, we may have hearings on the situation in Detroit with reference to what is called the Poletown area. That is a situation in which, as many of you know, General Motors has taken over a large portion of the city, or plans to, for an industrial plant, and it is anticipated that some 150 or more businesses located in the Poletown area will be displaced.

Our hearing will not be to question the merit of General Motors' and the city's proposal, but rather to find out what resources will be made available to those 150 very small businesses which are going to be forced to relocate.

I have no questions of the witness, and I will recognize Mr. Hiler for 5 minutes for questions.

Mr. **Hiler**. Thank you very much, Mr. Chairman.

What do you think the interest rate should be for business disaster loans?

Mr. **Berkowitz**. Well, frankly, I would like to see the interest rates remain at the levels that were provided for in the most recent legislation, but if there has to be some modification, I would suggest that the interest rates be kept below a level of 10 percent. There ought to be some significant difference between conventional interest rates and the interest rates on these disaster loans, which, after all, are borrowings made necessary by circumstances over which the borrowers really have no control. These are occurrences that are acts of God.

Mr. **Hiler**. It is 9 percent now and you would like to see it go up to somewhere below 10 percent because you feel the Federal Government should bear responsibility for the disaster?

Mr. **Berkowitz**. I think it is a legitimate public purpose for the Federal Government to assist both homeowners and businesses that are affected by disasters and also to assist the communities that are affected by those occurrences.

The availability of a below-market interest rate loan can represent the difference between a company deciding to remain in the particular community or deciding to depart and go somewhere else.

Mr. **Hiler**. Why do you feel there should not be a credit-elsewhere test?

Mr. **Berkowitz**. I think that the credit-elsewhere test is legitimate if its purpose is to determine whether a company is able to afford the higher interest rate that is provided for in the program. If the company is willing to pay the maximum interest rate, it seems reasonable that it should not be eliminated by the test; it should be eligible for the disaster loan program at the higher interest rate.

Mr. **Hiler**. I guess I would say in these days of limited resources, why do you think it wouldn't be a good idea to have in legislation the idea that the Federal Government has to conserve its resources if the credit can be gotten from somewhere else? Why not put that into the legislation, given the fact we are trying to conserve resources?

Mr. **Berkowitz**. I understand the need to conserve resources. If the firm borrows at the maximum rate which would be basically the Federal Government's long-term borrowing rate plus the 1 percent, it is not really costing the Federal Government any resources, and it is making available to the firm a loan at an interest rate that is somewhat less than what the firm could get in the private market. It helps the community by providing an incentive for the firm to rebuild its facilities at its present location and to replace the services that have been lost by the community as well.

I don't think it would affect the Federal Government's resources if the firm borrows at the maximum rate, but it is of tremendous help to both the company and the community to keep it where it is.

Mr. **Hiler**. No further questions, Mr. Chairman.

Mr. **Mitchell**. Thank you.

Congressman Crockett, do you have any questions?

Mr. **Crockett**. No questions, Mr. Chairman.

Mr. **Mitchell**. Thank you very much, Mr. Berkowitz. We appreciate your coming.

Our next panel of witnesses will be the home disaster borrowers. I would ask Mrs. Elliott J. Smith, Mrs. Dorothea Ross, Mr. and Mrs. Francis R. Handy, and Ms. Audrey A. Floyd to come up to the witness table.

I thank all of you for taking the time out of your schedules to come over and give us your statements.

Might I just indicate that I toured the Dukeland area right after this disaster, maybe five times, going into various homes. It was just an absolute catastrophe. I recall seeing an automobile, a Volkswagen, I think it was, on someone's lawn, and the owner lived two or three blocks away. The car had washed down.

I went into basements; by that time much of the water had receded, but I saw the high point where the waters had come, not just into the basement, but where they had risen to the first floor level.

As I toured the area, it was appalling to see people with their furniture and their possessions out in the open, trying to dry them out, trying to salvage what they could. So it was an incredible experience that I witnessed.

I tried to stay on top of the disaster loan efforts. Sometimes they were a little slow, but I remain convinced that many people would have suffered—suffered even more than they did—had we not had the SBA disaster loan program available.

Now, we would like to hear from you, your accounts of what you have experienced.

We will call on Mrs. Elliott J. Smith first.

PANEL CONSISTING OF MRS. ELLIOTT J. SMITH, MRS. DOROTHEA ROSS, MR. AND MRS. FRANCIS R. HANDY, AND MS. AUDREY A. FLOYD, BALTIMORE, MD.

TESTIMONY OF MRS. ELLIOTT J. SMITH

Mrs. **Elliott Smith**. Mr. Chairman, I am Mrs. Elliott J. Smith, and I want to apologize to the subcommittee for my husband not being able to appear this morning. I live in the 1600 block of Dukeland Street, which was one of the areas that was very heavily damaged during the storm, the hurricane.

As the Congressman has just indicated, we had water that came up to the ceiling in our basement, that came to the first floor, and in many of the houses in my block there were, in the living room, dining room, and kitchen, about 5½ feet of water. Most of the things in our homes were totally destroyed in those areas. The rest of our house also suffered much damage because of the heavy damage done to the foundation floors in our home.

I listened to Mr. Berkowitz talk about the Falls Road area, the Clipper Mill area, and the Hampden area. The Walbrook area of Baltimore, which is just a few blocks from the Congressman's headquarters, was very, very heavily damaged, and we were in a very devastating situation. We did not know where to go.

This was the first time this had happened for most of us, and most of Baltimore, itself, I am sure, hasn't gone through such a thing.

We cover from Braddish Avenue—for many of you this won't be familiar—but it was a large area covered. Most of the people in our area were at the mercy of such help as we were given or were able to get.

I was also one of the organizers of a group that grew out of our frustrations and our frightening situation—the Gwynns Falls Action Group. I am also speaking on behalf of this group.

We did not have any alternative. For some of us we could not have obtained other loans. When you talk about repairing or doing things within a home, building a home, or rebuilding a home, that is something that is one total thing. But we were talking about the replacement of household goods of the family, things that they needed at hand, everything they needed to maintain the family. We lost the entire family's clothing and all kitchen utilities. Everything you would need to live with, these things were destroyed. So we did not only have to rebuild a structure. We really had to rebuild our whole living style and to be careful, and without the loan we would not have been able to do any of these things.

For many people in my area—and I am speaking because I made contact with many of the families—they did not get a loan, even at the low-interest rate, because they could not even afford that.

So you see, when you are talking about raising interest rates, talk about how people can replace the things that many of us had already bought and paid for while struggling to meet another dimension in our lives. There was nowhere to go, and without this low-interest loan, I know that my husband and I could not have afforded it, because at the time we had two daughters in college and the things in our home were just centered around the barebones. There would not have been any way that we could have made it. And if we had been faced with a bill double or three times what we were paying, I think we would have had to close up our home, leave it and live somewhere where we would not have gone through this expense.

Mr. MITCHELL. Thank you very much.

If it is all right with my colleagues who are present, I think we might hear from all the members of the panel first. Then we will return to all the panel members for questions.

Mr. and Mrs. Francis R. Handy, thank you for being present with us.

TESTIMONY OF MR. AND MRS. FRANCIS R. HANDY

Mr. HANDY. I am Mr. Francis Handy, and this is my wife, Delores Handy.

Earlier, you stated that you made visits to the area of Dukeland Street, where there were Volkswagens and other cars scattered over lawns, and you walked through the alleys. I know this, and I was more or less happy to see the people in the legislature concerned about our plight in Baltimore city at the time.

My home was the one that had a Volkswagen on the front porch and several other cars over my lawn.

Also, my wife and I have shared that home for 25 years. We used to pride ourselves that we never had a drop of water through all the other storms and situations.

In less than 20 minutes our whole lifestyle, our home and—I wouldn't say family, because we try to hold ourselves together—were, in a sense, destroyed. I, myself, was working that evening and was out helping other people with their problems—and my home was totally wiped out, unbeknown to me.

Later, I had an opportunity to go to my home during the night of the storm. As I came up the street, I saw cars all over the place, and my wife was standing on the lawn with the dog, with an expression on her face I had never seen before in the 24 years I had been married. This was a shocking experience; that is all I can say.

The main point here for the hearing I am sure, is to wonder what we could have done without assistance from SBA.

Mrs. Smith earlier basically covered our plight, and there is no doubt in our minds or the minds of my family, or those people who have had contact with SBA, that we could never have made it without this assistance.

We had to vacate our property on the advice of Federal and city inspectors who came into our home. Just from facial expressions and terminology, we didn't know whether we should go in and out of the building to try to rescue what belongings we had left; so, in less than 3 or 4 days, we packed up and moved into an apartment. The house at the present time is still there; I am still paying taxes to the city, and at the present time I am trying to get it reevaluated to see if the house will be serviceable again.

I could go on and on. I have photos to support my statements about the damage to my particular piece of property, and I know there were others whose damage was similar to mine. I don't know whether my wife has anything she wants to say or not.

Mr. MITCHELL. Do you have extra copies of the photographs?

Mr. HANDY. I have negatives.

Mr. MITCHELL. If you could share some copies of the photos with us, we would appreciate it sometime in the future.

Mr. HANDY. Surely.

Mrs. HANDY. One thing we definitely see is a need for the small business loan. We had two boys who graduated last night. When we ran into this particular problem, we had resources available so they might go to school in the fall. The flood has really thrown us back, because we are back in debt again, trying to pay off this loan. So we are struggling, getting our resources together, to send our boys to school in the fall.

If, for example, we were made to pay more money than what we have to pay now, we would certainly be unable to send our boys to school.

Once you have planned your future and have things change to the degree they were for us, we would find we would not be able to maintain our standard of living. Certainly no one would be able to go to school under those conditions and they would have to go to work. The two of us are working, but the children would have to work, also.

Because of the Small Business Administration helping us out, we are at least able to at least get the payments ready for September, and then we will cut back somewhere else and get the payments ready for February. Without SBA, I don't know where we would be.

We thank you.

Mr. MITCHELL. Thank you very much for coming here, and we will have some questions for you.

TESTIMONY OF MS. AUDREY A. FLOYD

Ms. FLOYD. I would like to say that I feel that, among all the other members of my group from my neighborhood, I feel like I am a new girl in town, because they have all owned their homes over a period of years. My loss was just as great as theirs but I had only had my home less than 2 years. After my divorce, I had worked two jobs for a period of 8 or 9 years in order to be able to afford this house, and I felt it took an act of Congress at the time to even be able to get the house as a single parent and a woman. I feel had I been married, I wouldn't have had to have gone through the things they put me through in order to get the home.

To sacrifice everything and to save up and try to make a life for my daughter and I—we had bills, just trying to get new things. The evening of the flood, I had just come from the surgeon's office, discussing major surgery for my daughter, which was to be the day after the flood. She was 13 years old and facing major surgery. That night, we were discussing it and trying to reassure her everything would be all right. We had had a lovely dinner and were sitting down, just trying to relax and trying to face surgery 2 days later.

I had laid down and was awakened in the middle of the night—it seems like all of a sudden we heard a noise, and 5 minutes later we were trying to keep water from coming up from the basement. We tried to put towels under the door to block some water, but in no time at all the water had completely filled our living room. I am at the opposite end of the street from Mrs. Smith, on the lower part of the street, which meant that in no time at all our first floor was completely filled up to the ceiling. The only way out was from the second floor. We went and looked out the window. Water had filled up the whole area and all the cars in our entire block were under water. You suddenly realize the things that you think are important; at one time, you are facing the fact of your daughter's surgery and trying to get her through this, then all of a sudden we didn't know whether we were going to get out of the house with our lives. That, in itself, was something that some people don't even have to face during a lifetime. Suddenly everything was going downhill, our life, everything we owned—I had made the last payment on my car just a week before. We didn't know what was going to happen.

Even now, I am paying for things, not just from the flood, but for things I don't even have any more—the refrigerator and stove—bills that were coming in before the flood that I am still paying now; in addition to the fact that I had to go out and obtain a new car. Everything else had to be completely replaced—all our clothes and everything.

I wasn't even able to stay around my house the next day to watch and to see what was happening. Mrs. Smith had meetings called to try to organize the neighbors. I was at the hospital with my daughter because her surgery could not be postponed; we had to go on with that.

I feel like even now I still have things that have to be done. Even though the money that I was able to borrow helped me out, I still have things that have to be done, and I don't see any way out because I am still working two jobs and, in addition to that, other things came up.

My daughter made it out of surgery. Even now when it rains real hard, I am afraid to go to sleep. I am afraid because I am afraid I will wake up. Friends say, why don't you move? I couldn't move. Everything I had was in that house. There was no way I could have sold the house because I have a second mortage on it—even with the money they loaned me, I will be the rest of my life in this house.

I don't see ever, at my age, with my daughter in school and in 2 years she is going to graduate, I don't see myself ever being able to repay this loan. Even at 3 percent, I don't see myself—unless I hit a lottery, which I don't play—I don't see myself getting out of this black period.

Mr. MITCHELL. Thank you. I hope your daughter is fully recovered.

Ms. FLOYD. You remember her as a kid, I am sure.

Mr. MITCHELL. Mrs. Ross, have you a statement?

TESTIMONY OF MRS. DOROTHEA ROSS

Mrs. ROSS. Mr. Chairman, in my circumstances, this is very difficult, because, first of all, I am a widow. I am more or less on what you call a fixed income. Now, when this water came down, it really did me in, because it destroyed almost all of my first floor. My furniture is gone, and I lost my car in the meantime.

We can never find our way out of debt again. If it wasn't for the Small Business Administration coming in to help us with this 3-percent loan, I don't think a lot of us would be there today.

Mr. MITCHELL. Thank you very much. I do have some questions for each member of the panel, and then we will open it up for questions to my colleagues here.

Ms. Floyd, you are working two jobs?

Ms. FLOYD. Yes.

Mr. MITCHELL. How long have you been working two jobs?

Ms. FLOYD. About 8 or 9 years, which was a sacrifice because of being divorced. There were plenty of times I had to leave my daughter on her own basically. I guess God looks out for some people, because my daughter is presently in an advanced course in school in the neighborhood. Principals and friends always looked out for her. She is now 14, and next month she will be in the 11th grade.

Mr. **Mitchell**. Your present loan is at 3 percent?

Ms. **Floyd**. Yes.

Mr. **Mitchell**. Which means you pay roughly $100 a month on that loan?

Ms. **Floyd**. Yes.

Mr. **Mitchell**. Suppose it were at 14 percent. That would make a monthly payment of roughly $271. Could you meet that?

Ms. **Floyd**. Not unless I take another job. I have two jobs as it is now. I don't have the time to spend with my daughter the way I should. But she understands in order for us to be able to live a halfway normal life, it is necessary that I work these hours and the two jobs, and there is no other way possible.

I tried to get temporary help from the State when we had this disaster. After my daughter had the surgery, we had to separate. She lived with her grandmother for a while. Every place that I tried said: "I am sorry, I can't help you."

That particular year, 1 month later, we had an early winter. I was in my house with no heat. My windows and doors were completely blown off. I was basically living in one room. I have had 20 or 30 people who came in the house and saw the conditions and still I was not able to get one bit of temporary help at all—no food stamps; no social services. I even asked could I just have money to buy a stove so I would be able to get my daughter back with me. No help from anywhere.

Mr. **Mitchell**. Mr. and Mrs. Handy, under the SBA regulations, the disaster regulations, if you can verify personal property losses or damages, you are allowed money for those personal property losses or damages. Do you recall whether you had any personal property damage?

Mr. **Handy**. You are speaking of other than structural damage?

Mr. **Mitchell**. Other than structural; yes.

Mr. **Handy**. I don't think there is enough time today to give out all the——

Mr. **Mitchell**. Did you file a claim?

Mr. **Handy**. Yes; we did.

Mr. **Mitchell**. In what amount?

Mr. **Handy**. We asked for about $15,000 or $20,000 in personal property claims.

Mr. **Mitchell**. Let's say it was $15,000. That was the extent?

Mr. **Handy**. That was the limit.

Mr. **Mitchell**. The limit is $10,000, so you sustained a roughly $5,000-plus loss in terms of personal property?

Mr. **Handy**. Yes.

Mr. **Mitchell**. And Mrs. Smith, the same for you, your personal property, what was the actual loss in terms of personal property?

Mrs. **Elliott Smith**. What we received from the SBA was not broken down as personal property. Each thing that we had to do, we had to submit to them a bill for it.

Now, when we replaced the personal property, we had, I guess, already absorbed most of our money that was allocated for that, because we had so many things to do to that house.

We might have got $5,000 we could say that we used for personal property—even though we had to take care of all the other personal property in the house—I don't think we got more than $5,000 for personal property.

Mr. **Mitchell**. I thought you filed a separate category.

Mrs. **Elliott Smith**. We filed for a $10,000 personal property loss, but the loan came as a combination kind of loan, and I don't remember its spelling out if $10,000 was allocated.

Mr. **Mitchell**. We have a report that there was indeed $17,000 in verifiable personal property damage, but the limit was $10,000, so you would have suffered a $7,000 loss there.

Congressman Crockett?

Mr. **Crockett**. First of all, Mr. Chairman, I want each of you to know how beneficial it has been to me to learn of these personal experiences.

I come from Detroit and the southern part of Michigan, and while we always welcome the coming of summer, we know that usually that is the beginning of the tornado period, and, as a result, we are continually plagued with situations similar to yours that result from the tornadoes.

I have one question, and, perhaps, Mrs. Smith, you can help me with that. What difficulties or delays did you encounter in your dealing with the Small Business Administration, if any?

Mrs. **Elliott Smith**. I think I have to personally say that the delays were primarily on the part of my husband and myself because we were trying to do everything according to the guidelines of SBA, that we were late in submitting our application and filing all the papers that were necessary. But within a period of 60 days, I am sure that we had begun to get the moneys that we had asked for.

My problem was, I was so busy trying to help everyone else, I placed myself last in trying to get my materials and things together, but once we got them all filed and got them into the SBA office, we did not have any problem in getting the money at the time.

Mr. **Crockett**. That is all, Mr. Chairman.

Mr. **Mitchell**. Mr. Hiler?

Mr. **Hiler**. Thank you, Mr. Chairman.

Let me say, first of all, I admire your resiliency. I am sure there were many of your neighbors who were there that wouldn't have quite the resiliency that you have and may no longer be there or have never come close to recovering from the disaster, and while you have certainly not all fully recovered, you are further along the line, I would suspect, than a lot of the more unfortunate.

I just have two questions. One, did any of you have any kind of private insurance, and what were your experiences with that?

My second question would be, have any of you since gotten flood insurance?

Mr. **Handy**. As you know, Mr. Hiler, in order to obtain SBA loans for property damaged by floods, you must carry flood insurance on the property.

As for personal insurance, naturally most people carry household insurance and, like all insurance, you think you are covered at the time that you need it. We are living not just in a city but in the heart of a city where there is no indication of any rivers, tributaries, or any body of water, in an area where there are shopping centers and nothing that indicates water; so there is no need for flood insurance.

All of a sudden, in 20 minutes, your whole life is changed.

No; we didn't have any insurance.

Mr. **Mitchell.** I want to point out this was one of the more horrendous problems we encountered as we tried to work with this disaster. That is, that many people had insurance, but it didn't cover floods. It just wasn't anticipated, and therefore the insurance companies did not pay them.

Mr. **Handy.** They refer to acts of God. The insurance companies can use that as a defense anytime they don't want to take care of any possible large claims. Anytime those words are used, you might as well forget about insurance. I am not saying that insurance is a ripoff, but I question some of the policies.

Mrs. **Ross.** We are talking about another financial responsibility. The average flood insurance premium in my area is running somewhere around $100 or better a year. I am an organizer of the youth in my area, and I know this has brought about, again, another burden for people to pay this money. It is $135 for us.

Ms. **Floyd.** The amount we initially paid for our insurance was either doubled or almost tripled in amount when we received our bills last year I called my insurance agent, and I asked him why. He said because the Government had to raise the insurance rates because they had so much damage all over the State. So, without our knowledge until we received our next bill the following year, the insurance had gone up almost double or triple the original amount.

When I bought my house, all I thought about was fire, death, and normal insurance—no one in the block had ever had any water damage or any problems like that. So you don't even think about that. When we got ourselves together, and I called my insurance agent and asked, "What does my insurance cover?" He said, "The doors on the house. I am afraid that's it."

That is all they covered, the door.

Mr. **Handy.** May I add something? Not only do we now need flood insurance. Because this was considered sewage and drainage backup, you also have to get a rider on your home insurance, plus your flood insurance. Mine costs $25 extra for sewage and drainage backup.

Mr. **Mitchell.** Congressman Gonzalez?

Mr. **Gonzalez.** Thank you very much, Mr. Chairman. I have no specific questions, but I wish to express my appreciation to the witnesses present for their testimony.

Mr. **Mitchell.** Thank you, sir.

Thank all of you very much for coming over. If you can supply us some photographs, we would appreciate it—something that would show the damage done.

PANEL CONSISTING OF EDWARD YENSHO, YENSHO'S TWIN GABLES, INC., BALTIMORE, MD.; PATRICK J. HAGEN, PATRICK'S HAIR DESIGN, BALTIMORE, MD.; AND JAMES F. ANTON, O'SHEA LUMBER CO., COCKEYSVILLE, MD.

Mr. MITCHELL. Thank you, gentlemen, for being here. I always feel very, very guilty when we ask small businessmen to come in to be witnesses at a hearing, because I know a day away from the business can be a very, very dangerous situation for you.

We are most appreciative. Could we start off with Mr. Yensho and his statement, please?

TESTIMONY OF EDWARD YENSHO

Mr. YENSHO. My name is Edward Yensho, president of Yensho's Twin Gables. We are a wood products manufacturer located in Clipper Industrial Park, which was mentioned by Mr. Berkowitz earlier.

We were hit by Hurricane David in September 1979, or Tropical Storm David, whichever is more accurate. We received approximately $110,000 in damage moneys from the SBA disaster relief program.

I am not exactly sure what you actually want from me today. I can give you a profile of our business; I can give you a profile of myself, and what I stand for, what I believe in. I wish you would help direct me so far as what you would like me to speak to.

Mr. MITCHELL. It might be helpful if I directed some questions to you at this time.

Before the damage to your company by the flood, had your company been growing? Was it a stable company? Was it threatened with going out of business? What was its status?

Mr. YENSHO. Briefly, we were incorporated in 1974. We started out as a hobby, working in basements, in a garage, then in a larger basement, and then we became what would be considered a legitimate business in 1974.

At that time, we manufactured wooden toys and the market gradually grew until we decided to locate in Clipper Industrial Park.

In 1978, we found the acceptance of our product growing, and we felt it warranted getting a loan of $120,000 to buy some automatic equipment to turn out our product faster, reach more people, and make a profit.

In 1978, it took us a while because we were not considered a stable business. It took us approximately 8 months to find the financing to get the equipment.

In so doing, we were still what we would consider a seasonal business. Our sales were at that time 80 percent late August through November. At the time of Hurricane David, we were still in the same position, pretty much only manufacturing wooden toys, selling, again, in the fall. Our cash cycle at that time was approximately 1 year. In other words, you are manufacturing in December for the next shipments in September.

In July 1979, we received an additional loan from First National Bank to facilitate additional growth in inventory to accommodate the seasonality of our business. Two months later, which was September, when the hurricane came through, we lost almost all our inventory, thereby negating our selling season and putting us in a very bad financial position.

I heard some proposals today that would require that you seek alternative sources of financing. In not knowing whether or not we would be entitled to disaster relief moneys, we automatically began searching for funds the next day. Small businesses cannot wait around to see what is going to happen. You have to take your own course of action. We began looking, I would say, the next day.

Mr. **Mitchell**. Did you eventually get a small business loan?

Mr. **Yensho**. Yes. We received basically two types of loans. One was the physical disaster replacement-of-inventory-type loan. Our losses were verified by a loss-verifier who came out within a week after the disaster. That was approximately one-half the loan at 5 percent. Then because of our situation we were entitled according to the guidelines to an economic disaster recovery loan.

I might be wrong on the exact terminology, but that loan is at 7⅜ percent. The physical moneys came approximately in December. We received approximately half of the physical disaster moneys for loss of property in December, the balance I believe coming in late January 1980.

At the same time, we began looking for moneys to recoup lost business. Since we sell approximately 80 percent in the fall, we didn't have any sales that year, basically, and we found we were entitled to economic injury moneys. It took until July 1980 to finalize what that amount would be, so it was almost 10 months before everything was finalized.

Mr. **Mitchell**. Absent those two categories of loans, would you have been able to stay in business?

Mr. **Yensho**. As it appears, I would say no. We lost our growth; we lost our inventory. We had just received an additional bank loan, 2 months before, which was basically a working capital loan, and I do not feel we would have been able to borrow more at that time for recovery. It wouldn't have made sound financial sense to any institution at that time.

Mr. **Mitchell**. Thank you.

Congressman Gonzalez, do you have any questions?

Mr. **Gonzalez**. I have no specific questions relating to the witnesses. I will possibly have some for committee counsel and the chairman with respect to what we are confronting now on the viability of these programs and what impact, if any, they have on our ongoing budgetary compliance process.

So, therefore, I wouldn't want to burden the witnesses.

Mr. **Mitchell**. Thank you, sir.

TESTIMONY OF PATRICK HAGEN

Mr. **Hagen**. I am not a native of this country. I came here in 1965 from the Netherlands.

In 1970, I started my own business as a hair and skin care enterprise. I have been in business now for 11 years. We employ presently between 48 to 50 people.

At the time of the disaster, which was Hurricane David, we employed about 35 people. Not in one location, however. We had two locations: One location in Mount Washington, Baltimore City, and one in Columbia, Md.

I was faced with the situation of not moving or moving very fast, because of the problem.

My personality is such that I usually move very fast. I saw 22 people coming in the door saying "Where is my job?"

So, within hours, I had everything organized. I have very sensitive equipment. I had to take everything out in the street, put it on a truck, get it to a warehouse and have people cleaning all the materials and hair dryers and whatever, and get it back in shape again.

By the next week, my salon was cleaned, I had people in there, and I was not worrying about money. Usually people say, "I have some good contacts in the city," and I know other business people, and nobody asked for money at that time.

I had enough capital on hand to handle the first operations of that week. I was closed for a week, actually. After that week, we could go back in operation, although with inconvenience caused by the flood, by inefficient equipment falling apart, or whatever. My water heater broke down, and there were many little items which we discovered later. Even 6 months later, we had equipment falling apart due to the water damage.

I asked for a loan of $25,000—actually $24,500, to be precise. I went to other sources as well to find out what the potentials were. I saw very quickly that the only institution where I could really get help from was the SBA. As for my insurance, I had to wait for about 6 weeks to find out I was not covered. Had my wall caved in, I would have been; since my wall was not caved in, I was not covered.

Hurricane Agnes affected our area, too, but hardly left any damage behind—only minor basement flooding. Not mine, however.

Our area felt relatively safe. However, we had a storm watch in our area during Hurricane Agnes. The dam was supposed to be a little sensitive and might break or might not. We were right in its path. At that time, if whoever was in charge had told us, "You need another type of insurance," we would have taken out another type of insurance. However, we were not then advised we were 10 yards away from potential swampland.

I didn't have any insurance, and nobody advised me to have insurance for flooding.

The processing of the loan was very slow. Very simply—I had to go to other institutions first.

It took me a long time to get a firm "No" answer from the insurance company.

I had to supply bills for the equipment, for the hot water heater, for carpet cleaning done in my shop, and in return SBA loaned me money; but they were very strict, I thought. They were good. They didn't look like they were fooling around. They were very fair with me, and they helped me a lot in figuring out how to get a loan together.

However, I must say it is a bundle of work to get a loan.

The nature of small business has changed since when I started my business in 1970. Today, any loan, any conventional loan, is extremely involved, and SBA's isn't any easier. They have maybe 2 or 3 pages in the stack which are different, and that is about it.

I went through both experiences recently. I got a conventional loan to open my second place in Columbia, Md., and when I signed, I was very nervous. The interest was 2½ above prime. At that time, prime was around 11 or 12. Today, prime is 19½ or 20, so I pay 22½ percent on my loan right now. It was over $40,000. This has caused me a tremendous amount of pressure. I have been in business in Columbia for 2½ years, and we are doing very well. I have not taken any salary out—here and there are some minor benefits.

Now, in 1979, had I been faced with another commercial loan because of flood damages, I would have been faced with closing down one of my two bases. It is that simple. I subsequently would have suffered a loss of between 15 to 20 employees.

Mr. MITCHELL. In 1979, you were also the president of the Mount Washington Merchants Association?

Mr. HAGEN. Yes.

Mr. MITCHELL. Do you know how many other merchants faced damage sufficiently extensive so they applied for SBA assistance?

Mr. HAGEN. Yes. I have been involved in several programs with the city. One is the commercial revitalization program, which we started planning in the early 1970's. We fixed up our neighborhoods; we got new streets and sidewalks, and the city invested a lot of money; homeowners also invested money. The stores put up new facades and invested new capital. It has been an exciting experience. We feel we have added to the stability of the Mount Washington community.

Mr. MITCHELL. Excuse me just a moment. I am trying to get an idea as to how many other merchants in the Mount Washington area availed themselves of the disaster loans.

Mr. HAGEN. Some merchants had relocated. About three or four of the small boutiques relocated to other areas and never came back. However, I know about three homeowners who fixed their buildings up beautifully, and they have new tenants. I know of the Famous Fabric Store; they are back in business and have grown since. They have more space.

We had one business who absolutely was wiped out. It was a cooking school. It already had a large SBA loan. It was a seasonal business. I think seasonal businesses are very sensitive to disasters. Her season was to be in September—all the new classes started in September—and she lost about 3 months' worth of business. Subsequently, she didn't qualify for an economic injury loan and she went out of business.

Mr. MITCHELL. Am I safe in assuming that had there not been this kind of assistance available to you, you would have been forced to close down one of your two stores?

Mr. HAGEN. Yes; that is right.

Mr. MITCHELL. The one in Mount Washington would have closed; the one in Columbia, Md., would have stayed open?

Mr. HAGEN. Yes, because disasters you have would close the disaster affected business first.

Mr. MITCHELL. That would have meant a loss of how many jobs?

Mr. HAGEN. Twenty-two people.

Mr. MITCHELL. Thank you very much.

TESTIMONY OF JAMES F. ANTON

Mr. Anton. Mr. Chairman, I am James F. Anton, and, along with Mike O'Shea, I am the owner of O'Shea Lumber Co., a wholesale lumber company dealing in foreign and domestic hardwoods. We service and sell to furniture manufacturers, millwork houses, and fine wood users, both in the United States and Europe.

We also own Craft Woods, which is a retail store serving the individual woodworker with foreign and domestic hardwoods, woodworking tools, accessories, and picture framing. Both these businesses are located in Cockeysville, Md., which was hit by the storm.

Both of our businesses were involved in the flood that hit on September 5 as a result of Tropical Storm David. O'Shea Lumber Co. sustained a partial loss and Craft Woods a complete loss. It was completely under water. We had flood insurance at both businesses, but not enough to cover either loss. We obtained SBA loans to help us get back in full operation.

The majority of our loss was inventory, which we need to stay in business. We borrow money at the current rate. At that time, we were borrowing at prime plus 3. Today, we are borrowing at prime plus 2, and the major part of our inventory was financed with borrowed money, so even though we got the SBA loan at 5 percent, which we were thankful to get, we are still paying prime plus on lumber that had been destroyed, material that had been destroyed.

So, in effect, we are paying more than prime plus 2. Had it not been for these loans, I am sure we wouldn't have gone out of business, but it would have stunted our growth quite a bit. In both operations we employ more people now. Both of them at the end of last year showed a profit, which, in today's economic climate——

Mr. Mitchell. Is a minor miracle.

Mr. Anton. Exactly.

Mr. Mitchell. You are suggesting that had you not gotten the disaster loan money, you would have been able to have maintained both of your operations, Craft Woods and the lumber yard?

Mr. Anton. Yes; we feel we could have stayed in business, but probably not profitably for a few years, which meant we wouldn't be paying taxes, which we are paying now, and definitely without the personnel that we have now.

Mr. Mitchell. What is your total personnel?

Mr. Anton. In both locations at the present time it is in the area of around 25 to 28 people. It varies a little bit.

Mr. Mitchell. In the event that you had not gotten the SBA loan, could you give me an estimate——

Mr. Anton. I researched this a little bit prior to coming down. I would guess we would be somewhere between 12 and 15 people, including my partner and myself.

Mr. Mitchell. Would that have occurred immediately after the disaster? Would you have been forced to lay off that number of people?

Mr. Anton. Probably not immediately, but, as you know, with the worsening business conditions our business was not as good as it had been, and it would have come about 6 to 8 months later.

Mr. Mitchell. I don't think I have any further questions.

Gentlemen, you have been very helpful to us.

These hearings were held because there is legislation pending which would significantly change the small business disaster loan program.

I think you have been here throughout the day. Some of us feel very strongly about changing the terms of those loans, and I think your testimony has given us heart and also evidence to buttress our position that we don't want to see any major changes made in the disaster loans—interest rates, in particular.

Thank you very much, gentlemen.

[Letter submitted by Maryland Governor Harry Hughes follows:]

JUN 16 1981

SBA Disaster [illegible]

JS

STATE OF MARYLAND
EXECUTIVE DEPARTMENT
ANNAPOLIS, MARYLAND 21404

HARRY HUGHES
GOVERNOR

June 8, 1981

Joe

6/16/81
Tom Major

The Honorable Parren J. Mitchell
Congress of the United States
Committee on Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Mitchell:

Thank you for the opportunity to provide you with our views pertaining to the potential effect on the disaster relief assistance programs of the Small Business Administration (SBA) of the March 19, 1981 SBA regulation and proposed legislative changes.

Maryland has been fortunate not to have been faced with the continuing catastrophic disasters which have struck other sections of the country, causing loss of life and immense damage to property. We have had our share of disasters, however, resulting mostly from flooding, high winds and unusual climatic conditions such as freezing of the Chesapeake Bay and little snow accumulation which harmed our ski and snow related industry in Western Maryland. Additionally, drought has affected our agricultural community bringing economic hardship to different segments of our business community.

The Federal government through its disaster assistance programs - whether administered by SBA, FmHA, HUD or EDA - working in cooperation with State and local governments, and the private relief organizations have responded to help meet both the immediate needs of our citizens, as well as the long range restoration and improvement needs of our communities, businesses and residents. We believe that it is incumbent on our national government in partnership with the States to continue to respond to needs resulting from disasters. Such events are acts of God for which people do not plan and, in most instances, are incapable of preventing or lessening the impact. By example, who could foresee or prevent the torrential rains which dumped over seven inches of rain in a few hours in Austin, Texas causing death and destruction in the millions or the "sink holes" in Florida.

Such events quickly destroy a family's economic foundation, thus accentuating the immediate shock of hopelessness and despair of the loss of one's home, belongings and job.

Governmental assistance at all levels should continue to be made available to those suffering physical and economic injury due to disasters. If we can respond quickly and generously to help mitigate disasters in foreign countries, our own people cannot expect less - and should not receive less.

As Governor of Maryland, it is my responsibility to assure our citizens that government can and will assess the potential impact of a natural disturbance to determine whether that event should be considered a disaster and to present such findings to the appropriate Federal officials for consideration. We do not believe that responsibility to even determine whether an event is a "disaster" should rest solely in the hands of Federal officials. They may reject our findings and not provide assistance through their programs but they should not be both judge and jury. A case in point occurred last year, when regional Federal officials determined that Maryland's ski and snow related industry apparently did not warrant assistance under the economic disaster assistance programs, but we were able to develop solid data to show economic hardships that enabled many businesses throughout the State to be eligible to apply for SBA assistance. This would not have occurred had I not had the authority to request a disaster declaration determination. I urge you to reject the proposal in HR 2997 that would eliminate the provision in 15 U.S.C. 636(b)(1) which provides authority for the Governor to request SBA physical disaster assistance in the absence of a formal declaration by the President, the Secretary of Agriculture or the SBA Administrator.

For similar reasons, as cited before, I also urge the rejection of the proposal under HR 2997 to eliminate 15 U.S.C. 636(b)(9) which provides that a Governor may request SBA non-physical disaster economic dislocation loans for small concerns suffering because of extraordinary, severe and temporary natural conditions or other economic dislocations.

I further oppose the Administration and SBA efforts to eliminate the special small business assistance programs designed to aid small businesses in meeting either Federal legislative mandate such as complying with the Water Pollution Control Act provisions or by Administrative action such as military base closings. Such programs provide a valuable source of assistance at reasonable rates thus enabling small business to remain as part of a community's economic base. Companies receiving such aid to help them remain solvent and competitive are not drains on our economy. Rather they are assets providing jobs and taxes. Moreover, there is no cost to the government since they receive loans at an interest rate based on the cost to the government, plus a small carrying charge. Many small businesses, which would fail if they had to pay loans at the 20 to 25 percent level, are able to survive because of the favorable rates.

In Maryland, SBA currently manages about 1,100 disaster assistance loans. About 1,000 loans have been made to watermen who suffered economic hardship when the Chesapeake Bay froze. Without SBA assistance most of these people would have lost their means of livelihood because other financial resources were not made available through either public or private sources at a rate and with a payback schedule commensurate with the form of business. In other words, this proposal suggests that SBA should continue to provide favorable rate assistance to those sectors of the economy that would remain viable with their help but could fail if they had to pay prevailing rates. We do not advocate the perpetuation of non-viable businesses, but believe that SBA by using reasonable standards of business assessment could determine the viability of a business ability to survey if reasonable interest loan assistance was made available. We further support the concept of an asset test to assure that a business is simply not seeking to substitute lower cost Federal loans rather than using their own funds or borrowing at the market rate. Those businesses that require short-term favorable rate assistance to carry them over the hurdle created by non-physical disasters should not be abandoned without careful consideration as to the impact on the community. Expediency to save Federal dollars and to lessen the Federal impact on the money markets should not be the criteria to judge the need for an effective meaningful program supportive of economic activity.

We do not adhere to the proposal in HR 2997 that the triggering device for economic assistance be a physical disaster as determined by only the SBA Administrator or the President. Such a determination eliminates the important role of FmHA in assessing and responding quickly to needs of the farming community. Physical disasters to agricultural crops has a direct impact on other community businesses. We understand that the proposed disaster assistance programs provide that SBA would no longer make loans to any agricultural small business. An SBA physical disaster declaration would not be declared if only farmers were involved. Thus, cattle or loss of crop damage due to drought, flooding or other climatic factors to an area's farms would not trigger assistance - either to our farmers or the local business community. The Maryland agricultural community has been especially burdened over the last 15 years by climatic phenomenons and to eliminate or reduce its accessibility to Federal aid to overcome factors they cannot control would create an undue hardship on an economic segment of our economic community.

As mentioned earlier, I, as Governor, have responsibility for the health and welfare of our people. The determination of factors affecting our State should continue to rest in the Governor's hands and not that of a Federal administrator. Their role is to determine eligibility for assistance under their laws and programs, not whether a State had a disaster or not.

Although we recognize some of the inequities in current SBA policy towards homes and businesses impacted by major physical disasters declared by either the President or the SBA Administrator, we do not believe that the proposal in HR 2997 to treat disaster victims similar to normal credit worthy borrowers is warranted. This proposal approach downplays the impact of the trauma - physical, emotional and economic - thrust upon an unprepared and unsuspecting person when a major disaster occurs. Few families or businesses have readily available reserves to draw on for immediate rebuilding of homes and businesses while maintaining resemblances of other aspects of family life.

Disaster victims need help now and that help should not be an extraordinary burden feeding the trauma of despair.

Immediate short-term housing assistance, including grants to help repair homes and acquire furniture, should be continued for those without additional resources.

The Administration proposes a "statutory" no credit elsewhere "test" for all applicants. We endorse this approach for long-term disaster assistance but not for the immediate "make a home liveable" period.

During the last major physical disaster (flooding) in Maryland, our State Housing Agency administered the temporary housing assistance program under contract to FEMA. Our experience based on an analysis of housing assistance applications supports the need for immediate short-term assistance without the drawn-out process of "credit elsewhere" tests. We believe very few, if any, persons have misused this program. Most people lost substantial portions or all of their worldly possessions. Most families in low lying poor areas had extensive physical housing damage and these people had limited incomes. The current SBA housing assistance programs worked well and relieved hardship.

We recognize the Administration's concern about SBA expenditures, especially since 75 to 80 percent of its current portfolio is disaster assistance loans. We have read that SBA's own records indicate that over 77,000 disaster loans are overdue, delinquent or have been deferred or written off. We strongly encourage SBA to tighten its administrative procedures and expedite the collection of loans. Recent experiences by other Federal agencies which have taken action to collect overdue government loans demonstrates that substantial amounts can be collected. These funds can be used to help maintain needed services without increased appropriations. We further recognize the cost of money to the Federal government and its impact on the markets. We believe, however, that the proposal to make loans at "today's market rates" may be too great a burden on impacted families and businesses.

We suggest that the Committee study the feasibility of the following alternatives to the proposals in HR 2997. For long-term housing assistance there should be:

1) An asset evaluation to determine a family's ability to carry a loan and at what level;

2) A series of interest ladders be established pegged to a family's income with loan interest rates being established at 3 percent, 6 percent, 9 percent, etc. In other words, those most in need receive a larger subsidy, those least in need receive a lesser subsidy;

3) All families, especially in a flood zone, must carry active flood insurance policies. We understand that under current policies an individual must purchase flood insurance to obtain a disaster loan. There appears to be no means to assure they maintain such a policy. As a condition for future disaster loans since most families probably would not move from an area, they would not receive Federal loans if they permitted the current policy to lapse;

4) Generally, we believe business has access to resources not readily available to families. Moreover, business by its very nature involves risk. Therefore, we are inclined to support the concept of Federal business loans at a rate consistent with the cost to the government as proposed.

We do not believe it is wise public policy to continue the practice of restoring business in areas historically subject to natural disasters such as floods. We strongly urge the Committee to encourage "business relocation" to a safer area of the community as a condition of a disaster assistance loan. We agree with the Committee that Federal assistance should not be used to encourage relocation to another community. We are simply concerned that if we do not encourage wise land use in flood areas, we could find ourselves periodically lending money to the small business - over and over. We suggest also that such businesses maintain flood insurance as a condition for future Federal assistance and that study be given to limiting Federal aid to businesses located in a 50-year flood plain or greater. We should no longer encourage anything else.

Several of our local governments have recognized that problem of flood plan management and have provided resources to help families relocate to safer areas. The land is then used for recreation and other purposes. We commend the wise public policy initiatives of these governments and encourage such efforts by other governments.

Thank you again for providing us the opportunity to present our views on proposals to modify the SBA disaster assistance program.

Sincerely,

Harry Hughes

Governor

Mr. MITCHELL. This hearing is now adjourned.

[Whereupon, at 12:25 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX

#1

Carol/gay
11:00 a.m.

DEPOSITION OF LESTER SCHULTE

Monday, April 20, 1981

OMAHA, NEBRASKA

- - -

LESTER SCHULTE

was called as a witness and testified as follows:

EXAMINATION

BY MR. POWERS:

Q Mr. Schulte, would you give us your company name and address, type of business, for the record, please?

A Lester J. Schulte, with Karnett's, Inc., 3326 South 67th, Omaha, Nebraska, and I am vice president of the company.

Q Mr. Schulte, you have received financial assistance through the Small Business Administration, is that correct?

A Yes.

Q What type of loan was that?

A It was a direct loan for building a new building.

Q And how much was it?

A (No response)

Q A little over $500,000?

A $547,000, I believe it was, and $400.

Q And what was it that necessitated your need for financial assistance?

A Well, where we were at, the location was taken for the Omaha Transit Bus Company, to build a new facility. So, we were forced to move out.

Q You didn't have any choice at all about moving?

A No, we didn't have any choice.

Q And that qualified you for an SBA displaced business loan because of the taking of your property?

A That is right.

Q When was it that you had to make this move, how long ago?

A We actually moved in the first of August in 1980, but we had gotten our first letter that we were going to have to move in November of 1976, and until they had their financial authorization for the building to, to build their new building, why, there was a lapse of about two to three years.

Q And what type of business were you in there?

A Tobacco and candy distributor.

Q How many employees did you have at the time?

A We have 39. There is five part-time and 34 full-time employees.

Q That is at the present time?

A Yes.

Q How many did you have back in August?

A About that same amount.

Q Same number?

A Yes.

Q Did you seek financial assistance through the private markets or banks, et cetera, at that time?

A We did, yes.

Q Was it available to you?

A It wasn't available.

Q And as a result, you were able to obtain a loan for 20 years?

A 20 years.

Q From SBA and the interest rate ran?

A SEVEN ~~Three~~ and three-eights. 7 3/8.

Q What would have happened to your business and to your employees had the SBA program not been available to you at that time?

A Well, I feel that if it hadn't have been available, that we probably would have had to try to sell out or liquidate the company because even if we could have gotten the financial assistance through a commercial bank, we could not have afforded to pay the rate of interest that they were charging.

Q Do you recall what the commercial rates were at that time?

A Not exactly, but I think it would have been around 15 percent at the time we were talking to them, whether that would have been on a floating amount or whether we could have gotten it from them for 20 years for that amount.

Q So that the going commercial rate last year was approximately double the interest rate that you are paying on your SBA loan?

A And actually this, at the time we had checked, was back in the first part of 1977, so I am sure by the time we had moved, it would have probably been a higher rate because interest had gone up quite a bit from the time we first started checking on it.

Q What has been your experience in dealing with the SBA program, aside from obviously helping you at the outset?

A Well, they have been very courteous, and of course, they have their laws that they can only do. Like, we had built a larger building than what they could help us with because we could only be a certain percentage figure, so we did have to come up with additional money for the extra size building.

Q And since the approval of your loan, I assume you have been able to make all your payments?

A Yes.

Q As agreed upon, and you anticipate continuing at a profitable level?

A I feel that we will. Of course, we are going to have to increase our volume in that which we have been doing since we have moved because at our other location we were doing all the business we could out of that sized building, and we have had a nice increase in our building since we moved.

Q Obviously then, if you could not have afforded to pay the going market rate of 15 percent, it would have been absolutely prohibitive had you had a program available to you at 19 or 20 percent interest?

A That is right.

Q Do you have any comments in general that you would like to make on the program, its continuation?

A Well, I feel that they should continue the program because if they don't, there is going to be a lot of small companies that are going to be in the same situation we are, that they are going to have to go out of business if they can't get assistance.

I feel especiallywhere they are being forced to move, that they should have some help of some way.

Q All right. We should clarify, you understand that my comments about possibly terminating the program or modifying it would not in any way apply to your loan?

A Yes.

Q You have already secured it and it would in no way affect you.

A Yes.

Q It would simply be future applicants would not be eligible.

A Yes, I understand.

Q Well, Mr. Schulte, unless you have some additional comments to add, we have covered the information that the committee is seeking. We do appreciate your taking time from your business to come down here today.

A Well, the only thing I might add is that I just hope that they don't discontinue this program because I know what it would have done to us, and I would hate to see anyone else put in that position, that they would have to go out of business.

MR. POWERS: All right, thank you very much.

THE WITNESS: Okay.

(Whereupon, at 11:05 a.m., the deposition of Lester Schulte concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Lester Schulte acknowledge that I have read the foregoing deposition and that it is true and correct.

Lester Schulte

LESTER SCHULTE

#2

Carol/gay
4:45pm

DEPOSITION OF NAOMI RUEB

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

NAOMI RUEB

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address.

A Naomi Rueb.

Q And your position?

A I am Executive Director of Grand Island Interfaith Task Force.

Q And in your position as Director, you were involved in the recovery effort from the tornado last year?

A That was our only reason for our organization to be in existence.

Q Would you describe your activities briefly for us, please.

A Yes. We are a nonprofit corporation made up of 29 local churches, and all of our funds came through the church community, individual donations, some organizations, and we address ourselves to whatever the victims of the tornado need that no one else can give them assistance in. We don't take over for anybody else's guidelines, and it is everything from pastoral counseling to help them fill out papers to giving them financial assistance if this is what they still need.

Q What type of budget would you have had for the recovery effort?

A $207,000.

Q Do you know approximately how many victims you assisted in one way or another?

A 417.

Q You limit it as to homeowners or as to businesses?

A No, anybody that was affected by the tornado can come into us for aid. except businesses.

Q Did you work with the SBA when they were here?

A Yes, as one of the agencies that were here to help the tornado victims in that respect. We would refer people to them or they would refer people to us.

Q Are you acquainted with the financial assistance program that SBA has for disaster victims?

A Yes, to some extent.

Q Did you see it operate after the tornado?

A Yes.

Q What was your impression of it?

A Both positive and negative.

The positive aspect, of course, was to help people who didn't have enough insurance coverage. I think maybe the negative situation was the state of mind that people are in after a disaster, and all of the paperwork and this type of thing was very confusing to some of the people.

Also, if they could have gone in and spoken to the same person with subsequent meetings, I think it would have helped. For example, they would talk to one person and they would say well, you need your tax redords for X number of years. They would come and talk to the next person and say you didn't need that, you need that. People got very discouraged from this. They were people learning what the guidelines were at that point, too.

From where I stand, it would really be helpful if they had a name and they could go back and visit with the same person.

Q Did you happen to notice whether the SBA people were local or brought in?

A For the most part, they were brought in.

Q Under the assistance for homeowners, most of them basically are limited to maximum of a $55,000 loan?

A Right.

Q Do you feel that that loan limit was adequate here to repair and replace housing?

A Yes, I do for the most part.

You see, the Red Cross and ourselves can address ourselves to what the other organizations can't cover, so the people are not left without funding. And I might just add something to that.

For example, if through insurance, SBA grants, whatever, the people canonly afford the materials, then we can put volunteers on to actually do the building, which is about half of the price of rebuilding.

Q Are these local people that you are talking about putting on, or do you actually go outside the disaster areas and recruit?

A Church groups from all over the United States offer to come in, plus local people. It is a combination of both.

Q Do you have any idea actually how many people were assisted with construction type activities?

A You mean through volunteers?

Q Yes.

A Oh, boy, let me think. Twenty, maybe, 20, 25.

Bradfield
dmt
fls.gay

Q Under the terms of the assistance program that was in effect, these homeowners were basically eligible for these loans at three percent interest.

There are a number of proposals that Congress is now considering, and that the President is now considering to modify the terms of the assistance.

Do you think that the program would be just as beneficial or helpful to the people in the long run if they were paying, for example, 14 percent interest which is an amount based upon the current cost of the Federal government borrowing money without regard to the need of those people that are borrowing from the SBA?

A I don't believe it would be as helpful. It would make their payments a lot higher.

Q Did you look at the financial resources of some of the people that you assisted, and, if so, could they financially afford a payment difference like that, if you got into that area of it?

A Let me think a minute. Well, I suppose some could afford more and some could not. In fact, I am thinking of one case where they went back and asked the SBA if they could make smaller payments than they had originally signed up to do because of the financial problems, so anybody you could ask, there would be some people yes and some people not.

Q As far as the businesses are concerned, under the program then in effect businesses were paying between five and eight and a quarter percent subject to the restriction that they must re-establish the business.

Did you happen to have conversations with any of the businessmen as to their reopening their business or whether they were considering just pulling up stakes and moving elsewhere?

A No, I really couldn't address myself to the business community.

We respond to individual needs, so I would not know enough to give an answer to that.

Q Aside from some of the administrative difficulties, if I might call it that, that you noticed in the administration of the program, are there any changes in the program itself that you would recommend based upon your involvement in the recovery effort?

A (No response.)

Q For example, in years past, in addition to loan assistance, the Federal government, in response to certain major disasters, much more major than what was experienced here, authorized grants or forgiveness in varying amounts, $500, $1,500 per person.

I don't know that anybody is actually advocating that as a possible change but that is an illustration of one of the things that I am wondering if you have any opinions on?

A Well, I really hadn't thought about that. That would be pretty much like individual family grant then, wouldn't it? Would that overlap?

Q The individual family grant program to a large extent replaced --

A It would be that sort of person?

Q Well, these were across-the-board without regard to need.

The basic difference between the SBA grant and the individual family grant program that HUD now administers is that HUD's is for temporary type or emergency repairs that need to be done to the property to make it habitable whereas there was no restriction on SBA's.

You could make your permanent repairs and convert it into a grant.

A I see.

Q Basically I have covered the information that I would like to elicit from you on behalf of the committee.

Do you have anything that you would like to add?

A Well, I feel that the people that did get the loans were helped, you know, very well, and, of course, this is homeowners. Most of the rebuilding has been accompliahsed in Grand Island with the insurance and with the SBA and the grant and this type of thing.

Our organization is giving more aid to renters because they were not able to get back into their apartments that were destroyed.

The apartments were changed, and the rent was increased. They bought the government trailer, and they didn't have enough money to move it. A lot of our aid has gone more to renters than homeowners except for the volunteer rebuilding and little spot jobs and elderly people that needed some help with their roof, this type of thing.

Other than that, I didn't work that closely with SBA, just enough so we knew if they could help, then we went on with their assistance from there.

Q Mrs. Rueb, we appreciate your taking your time to come down this afternoon.

MRS. RUEB: You are welcome. I was glad to do it.

(Whereupon, at 4:55 p.m. the deposition of MRS. RUEB was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Naomi Rueb, acknowledge that I have read the foregoing deposition and that it is true and correct.

Naomi Rueb

Naomi Rueb

*3

5:00 p.m.
Dennis
dmt

DEPOSITIONS OF MR. & MRS. J. GARY VEJVODA

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

MRS. PATRICIA VEJVODA
MR. J. GARY VEJVODA

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would one of you please act as primary spokesman and state your name and address for the record?

A (Mr. Vejvoda) J. Gary Vejvoda.

Q Your address?

A 627 East McArthur,Grand Island, Nebraska.

Q You had a home lost in the tornado disaster?

A Yes, sir.

Q And obtained an SBA loan?

A Yes, sir.

Q I believe that was for approximately $20,000.

A Yes, sir. $20,060.

Q You have received all of the amount of that loan?

A Just last week we got our last check.

Q So you have completed the repairs to your home?

A Yes, sir. We have painting left to do.

Q What was your experience with the SBA both as to the program itself and the way that it was administered here? Was it good, bad, helpful?

A At first I didn't really know that it was a bad -- I knew it was available. I just didn't think I would qualify for it.

Some other neighbors talked about it. I had house insurance, the insurance on the home. I found that it wasn't nearly going to be enough to replace everything. In fact, I had thrown away my -- the information that SBA gave us because it was so thick. I didn't feel like reading about it. It was -- it just looked like it was too complicated.

I said it is more government bureaucracy there. I don't need to have any part of it. I figured I was covered by insurance. Then my neighbor told me to go down and check it out.

I went down. Lo and behold, they said after I filed my papers and everything, they came back and said I was -- we were eligible for a personal property loan, but I didn't figure on the house.

By this time the house was well along, and the house being advanced to where it was, I was finding out how much it was really going to cost me to rebuild. We hadn't thought about trees, a fence, the garage. That hadn't been rolled into it.

It was a welcome sight to know that we were going to receive $10,000 for the house.

Then plus the personal property.

Q Under the terms of the program which was in effect when you applied for your loan -- and those terms will stay the same, we are not talking about changing any loans that have already gone out. You have a contract. When I ask you some questions about proposed changes, I am referring solely to those people who would suffer a disaster in the future.

In no way is it going to change your loan.

When you applied, you were not required to show that you could not obtain the money from other sources, either by borrowing it or using personal assets, selling stock, land, or anything like that.

Based on your experience with the program, do you think that that should be a requirement, that a home borrower first have to demonstrate that he cannot borrow the money from a private source, a bank or something like that.

A No. I don't think that they should. Everybody pays taxes, and even maybe more so the people that would have other investments that they could recuperate. I think it is coming down on the people that can afford it, because it is still a loss. I know you can mark it off as far as tax-wise. I still file with Uncle Sam and I declared a loss. It is still a loan.

I still have to repay it. So I get it at three percent. It is not a gift. It has still got to be repaid.

I think if the government -- it was very helpful for me. It has been helpful for everybody that I know on my block. Our whole block was almost totally wiped out a hundred percent.

I don't think that a person should have to show.

I do agree with the way they are running it to show proof of purchase, proof of -- you know, that the damage was done. They check it out. This I agree on.

I heard through Omaha there was -- when the tornado went through Omaha, they issued checks. The people didn't do anything to repair, to fix up the neighborhood. They spent the money, sold the property, and were gone.

I am glad they are doing it the way they are doing it here in Grand Island.

Q If that did occur there -- and I am not acquainted with the situation --

A I don't know if it did happen. This was just hearsay we got, that the reason we had to show proof was what had happened in Omaha and previous experiences that the SBA had. This is what I am talking about. I don't have any proof of that either.

gay fls.

gay-1

Q You obtained your loan for a period of 20 years and are paying 3 percent interest, which in your case makes your monthly payment approximately $116?

A Correct.

Q One of the proposals that is being considered would be increasing the interest rate on the loans, and instead of homeowners being able to borrow at 3 percent, they would pay 14 percent.

In your case, that would mean an increase in your payment to approximately $250 per month if you still were to repay your loan over a period of 20 years.

What would be your opinion of an increase in the interest rate like that for future disaster victims?

A Well, I don't know about 14 percent. I mean, it could be -- I would go for 7 percent, or something like that. I would know where say 14 percent, you know, even though a loan -- right now, the economy can't afford -- or people -- the average person cannot afford -- and I don't think the economy can afford it, either -- the interest rate as high as it is.

So, why should the SBA come in and charge 14 percent when interest rates on insurance policies are running 6 to 8 percent, 8 percent tops? There are programs being started all over the country where they are trying to get the economy going in a particular town or cities again, getting people working again; by finding those dollars to re-invest into building homes and whatnot, at 10 percent, so no, I think 14 percent is entirely too high.

Then again, I say 3 percent might be too low.

Q Did you happen to talk to any of the other disaster victims as to the impact of this program on them? Did it make a difference between their rebuilding, or moving, or anything like that?

A I don't think I ever talked to anybody that didn't have any insurance. In fact, I looked for people who were uninsured and found out -- just to see what the grant situation was, if they were -- because I was wondering what the State of Nebraska did to help out. What the grant program also did.

This is my firsthand information -- to get it firsthand. I would like to understand it myself, find out if it is really like everybody says.

For instance, the reason I asked -- I was trying to find this out was that I had never claimed unemployment in my life. I lost my business and I lost -- I was out of work. I couldn't collect unemployment, only for disaster for two weeks, because I am on a commissioned job. I still pay taxes like everybody else, but I couldn't draw unemployment from the State of Nebraska.

I know this is none of your concern. This is part of my grief. I want to air it.

With only two weeks of unemployment, I was wondering what the grants were doing to other people. I knew I needed an income. I didn't have anything coming in, period.

When that tornado hit--I am a commissioned man. The average person, they say, in the United States is 90 days from bankruptcy if they are out of work. Well, if it wasn't for the insurance checks being there within two weeks, and some of them were there right away with the first -- when they first came out. They just sat there and wrote a check for us. We didn't have any information on what we were supposed to do with that money.

Some people went and paid off their loans, which they shouldn't have done. They had 7 percent loans. They figured they had to do it.

There was a lot of things that happened that I learned a lot from it. This is one of the reasons that I was checking out on the grants because I thought after all these years that I worked, I would have unemployment, too. At least I would have it for six weeks. They gave it to me for two weeks and turned me away. I had no income whatsoever.

So, I was glad to get a SBA loan. There was a lot of people in the neighborhood that I know were very happy and like I say, they wouldn't be able to rebuild. Two people I know of wouldn't have been able to rebuild if they hadn't got the SBA loan.

There are other things that I think are a lot more important than the loan part there. Just the way the people are told what to do with their money. There should be more information given out to the people. Should they pay off that loan?

You know, if you have -- a lot of people don't know.

You see what I am getting at?

Q Yes, sir.

A Huh?

Q Yes.

A They are not informed on what they should do. A lot of people paid off loans that shouldn't have been paid off. There were 6 percent, 7 percent loans. When they went to rebuild, they had to pay 14 percent or better. You see what I am talking about there?

Q Yes, sir.

A Okay.

Q So basically your primary suggestion then with regard to the disaster assistance program would be more information for those that are being assisted?

A Right. For the overall. Whether they are being assisted or not. The people didn't even receive from SBA, if they were informed -- this is what I say. They have to have information on what they should do. If they pay off -- I know a lot of people did not know. They figured they had to pay off their loan as soon as -- I was one of them. I thought it had to be completely paid off before I could start any rebuilding on that site Come to find out, you didn't have to pay anything off, you just kept it in escrow, and then they would draw back as the money is being spent to rebuild.

If it wasn't for First Federal of Lincoln informing us after I asked them what we should do, I know a lot of people went the other way and paid it off. Now they are really hurting because of that storm.

Look at the difference in interest rates from a 7 percent to a 14 percent for 30 years. That is a lot of money each month, regardless if they get a SBA loan.

Q Yes, sir.

Do you have anything else that you would like to add?

A No.

Patty?

A (Mrs. Vejvoda) I think that they could -- there are other ways of cutting costs of the program rather than just charging the people more interest rate. There was an awful lot of shuffling of papers and things that could be cut down on. They could cut down on expenses of running the program instead of hurting the people that were going to get it.

Where is a better place for our money to go than to the people in the country?

Q Your conclusion, too, is directed towards the Administration rather than the program itself?

A Yes. It is not completely negative at all, either.

For instance, they are billing us each month for the payment.

Q Yes.

A Why don't they give us books and let us mail them in? How much money does it take for postage to send out each month?

A (Mr. Vejvoda) They send out a notice.

A (Mrs. Vejvoda) You add that up.

A (Mr. Vejvoda) Our check has been off the first of each month. They send us a notice the first of each month saying that they -- the notices are coming out 17 days later, but our checks are already off. They say we owe.

Q You didn't get a payment book or anything like that?

A No. They just mail --

A (Mrs. Vejvoda) There are other things they could do to cut down rather than saying we are not going to loan it to people.

A (Mr. Vejvoda) I think it was a wonderful thing. I do believe information is very important, too, because that could save a lot of money right there to the American taxpayer, the information on what to do. A lot of guys or families are spending a lot of money on loans that they paid off existing low interest loans and borrowed funds back at much higher interest rates. I think they should have been better informed.

I don't know if that has anything to do -- it has nothing to do really with SBA.

Q Well, it doesn't have anything to do with the program per se, but certainly it is something that should be looked into, and I appreciate your raising the question, along with your other comments.

A Anything else?

MR. POWERS: If you have nothing further, I appreciate your coming down. I thank you on behalf of the committee.

MR. VEJVODA: Thank you.

MRS. VEJVODA: Thank you.

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ACKNOWLEDGEMENT OF WITNESSES

I, J. Gary Vejvoda, acknowledge that I have read the foregoing deposition and that it is true and correct.

J. Gary Vejvoda

J. GARY VEJVODA

I, Patricia Vejvoda, acknowledge that I have read the foregoing deposition and that it is true and correct.

Patricia Vejvoda

PATRICIA VEJVODA

#4

Bradfield
dmt

DEPOSITION OF ALLAN HEMMER

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

ALLAN HEMMER

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please?

A Allan Hemmer. 529 Hermitage Court.

Q That is in Grand Island?

A Yes.

Q Mr. Hemmer, you suffered a lossin the tornado that came through here last June?

A Yes.

Q And that was damage to your home, I believe?

A Yes.

Q Subsequently you applied for assistance through the SBA on their loan program?

A Yes.

Q And what was the amount of the loan that you received?

A On real property, $48,700.

Q And you also had some personal property that was damaged?

A Yes.

Q And received?

A $6,300.

Q So that you received a total of $55,000 then?

A Yes, yes.

Q At three percent interest?

A Yes.

Q And repayable over 25 years?

A Yes.

Q That basically must have been quite a bit of destruction then to your home?

A One hundred percent.

Q Was one hundred percent?

A Yes.

Q I take it there was no insurance on the home then?

A Yes, there was.

Q Very minimal?

A Quite a bit, but the lending institution recalled the loan on it.

Q So that the use of the SBA proceeds then were the only monies that you had available to rebuild, would that be correct?

A Yes, yes.

Q What do you believe would have happened to you personally had this loan assistance not been available to you?

A Oh, probably would have had to rent or -- I would guess. That is what I believe.

Q All right. Did you look into the availability of any bank financing for rebuilding?

A Not exactly, no.

Q Do you think based on your personal financial situation that you could have obtained a bank loan for all or any part of reconstruction?

A Well, we went through the Nebraska Mortgage Finance Fund to get the original loan, and that was at, I think ten and three-quarters percent, and we were at the limit right there to get that loan.

Existing loan rates at that time were much higher than that so I doubt if we could have gotten a loan.

Q Where there are a number of proposals that are under consideration to modify this program that helped you, and although I want to clarify that none of the changes would affect you personally in that you already have your contract with the government, so we are only talking about helping future diaster victims when I am going to ask you your opinion on some of these changes, okay?

A Okay.

Q You are paying $264 a month to repay your loan?

A Yes.

Q Based on a three percent interest rate. Now, one of the proposals would be to increase this interest rate to 14 percent.

Now, had that 14 percent rate been in effect at the time that you borrowed the money, your monthly payment would have increased to $645.70 a month instead of the $264 that you now pay.

Based on your income or that of you and your wife, would you be able to afford loan payments of $645 a month?

A No, that is strictly principal and interest payment, correct.

Q Correct.

A We could not, no.

Q All right. Were you satisfied, or did you have any problems at all with obtaining your loan?

A I was satisfied with it. I was satisfied, yes. Did I have any problems? There was quite a little paper work and I think for the average individual he probably would have gotten frustrated with all of the paper work.

While I have a college education, so I, you know, it was frustrating at times, but we managed it.

Q What is your basic reaction to the program? Is it a good program? Is it a good expenditure of taxpayer funds to provide this type of assistance to disaster victims?

A Yes. I think it is good. You got to get the community back on its feet somehow.

Q So you view it then as not only helping the individual, but also as helping the community as a whole by assisting those that are in it?

A Yes.

Q Would you have any suggestion for changes, either in the program or the way it is administered?

A I don't see how you could change the administration of it. The program is so huge, correct?

Q It is large.

A I really don't see any ways to change the administration of it.

The rates could be raised a little, I would think. Three percent is very low. We could have afforded that probably, you know, eight or nine percent and would have been glad with that is my opinion, but 14 or 15 percent, we couldn't have afforded that.

Q Now, the eight or nine percent that you say would have been acceptable to you, should that be put in the context of current interest rates, would you feel the same way if bank rates were down at twelve or thirteen percent?

A Oh, I think that they should, oh, what do I want to say?

I think each individual's should be looked at and possibly the interest rate adjusted to his situation, if that is possible. That would probably add a lot of paper work.

Q Assuming that that is not a feasible thing to do without unduly burdening the administration of the program and creating inequities, would you favor setting a flat interest rate for everybody?

A Yes. I could see where a variable rate would cause a tremendous paper load which would increase costs greatly which probably is not feasible.

Q Do you have anything else that you would like to add?

A It is a good program, I think, and I think in disaster you need it.

That is where your tax dollars go for, in my opinion. Rather than cutting out, not cutting out, raising the rates to 14 percent, I think they should cut out some other, or reduce some other programs.

But I don't quite agree with 14 percent interest rate. That is really no help, I don't think. That is my opinion.

MR. POWERS: Well, that is what we came to ask?

A Well, possibly a little ten percent across the line maybe.

MR. POWERS: All right, we appreciate very much your taking the time to come down today.

MR. HEMMER: Okay.

(Whereupon, at 5:35 p.m., the deposition of ALLAN HEMMER was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, ALLAN HEMMER, acknowledge that I have read the foregoing deposition and that it is true and correct.

Allan Hemmer

Allan Hemmer

#5

Carol/gay
5:37pm

DEPOSITION OF MARILYN P. STONE

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

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MARILYN P. STONE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please.

A Marilyn P. Stone. You want my damaged address? I am still in a government trailer. 1414 St. Paul Road, No. 42.

Q That is where you are now living?

A Right now in a government trailer.

Q You had a home that was damaged in the tornado that came through last year?

A Yes.

Q Where was that home located?

A 926 South Vine.

Q That is also in Grand Island?

A Yes.

Q Did you then contact the Small Business Administration some time after regarding loan assistance?

A Yes.

Q Finally at some point obtained a loan for $16,000, is that correct?

A That is right.

Q You are using that to repair your home that is on Vine Street?

A That is right.

Q There are a number of changes that are being considered in the program, not that it would change your loan at all. I want to make sure you understand that. We are only talking about making changes in the program that would be applicable only to people that apply for loans in the future. It would not affect you at all, so don't go home and worry that your payments are going to change.

Under the program that was in effect when you received your loan, your $16,000 loan was repayable at $90 a month for 20 years?

A That is right.

Q And that is based upon an interest rate of 3 percent?

A That is right.

Q Now, one of the changes that has been proposed is to increase this interest rate, based upon the cost of the Federal Government borrowing money, and if that were done today, it would result in an interest rate to disaster borrowers like you have 14 percent instead of the 3 percent.

In your case, that would have meant that your loan would have been $195 a month to repay it instead of the $90.

Could you have afforded to make payments of $195 a month?

A There is no way I could have done it. I am by myself and it is absolutely impossible.

Q Then, assuming that you couldn't repay it and, going a step further, I would have to assume then that SBA would decline to make you the loan because you couldn't afford to pay them back. What would you have done if you hadn't been able to receive this financial assistance?

A Well, I would imagine I would have to try to find a very inexpensive apartment and just get by that way and try to sell my property and my house as it is, you know, after the disaster and try to get some money out of that.

Q Now, did you have any insurance on your home?

A Yes.

Q And so you are --

A And I was paid by my insurance adjustor, but I got a bad contractor, which took three-fourths of my money. So then I ended up trying to find the means to get my house rebuilt.

Q So then you didn't go to SBA until after you had your experience with the contractor?

A Well, I had gone during -- we had the disaster assistance, but everybody went through that, but at that time

I really didn't know what my insurance company would do for me or anything else. But after I had lost most of my insurance money, I found that SBA would give me a loan for my materials because they couldn't give me money again, since I already received money for my property before.

GIFT, an organization here in Grand Island, agreed to find volunteer help, and that is how my house is getting redone.

Q GIFT is the Grand Island Interfaith Task Force?

A That is right.

Q How much insurance proceeds did you actually receive on your home? How much damage did you have in total to your home?

A About--it was a little over $28,000 is what my insurance company gave me for my -- was supposed to rebuild my house.

Q How do you view the SBA program? Is it a good program? Is it a waste of taxpayer money? Should it be changed?

A Oh, I think it has really been a help to anybody here, particularly who have lost everything, because there isn't any way that most people could afford a bigger loan. This is a problem I was going to have. I could no way afford the huge loans that they would give you here to redo your house, and with my limited income, that was the only way.

It was just like a miracle when they told me SBA would hel and give me a loan.

Q Do you know of others who are similarly situated as far as their need for the loan?

A Oh, yes. I know others this has happened to, and I can't imagine what this town would be like if it hadn't been for SBA helping people because it just would have stayed completely damaged, I am sure, most of it would. People would have had to go on welfare or whatever could have been available.

Q Did you see any aspects of the program that you felt should be changed?

A No, I haven't. My loan is still new, and I haven't really gotten into it, but as far as I can see, it is a good program.

Q So, in your opinion then you would continue it in its present form?

A Yes, I definitely would.

Q You favor the 3 percent interest rate to the homeowners?

A Very definitely, as it was stated, and you could get a loan only for 60 percent of your damage, if you had just that much to work with, well, you couldn't get your home refinished with that amount of money. There is no way it could be done.

Q So then you also feel it is necessary for the victim to receive a loan for 100 percent of the actual loss, not just a percentage?

A Very definitely.

Q All right.

Do you have anything else that you would like to add?

A I can't think of anything right offhand.

I hadn't even asked for a personal property loan because, first of all, all my furniture and everything is in storage. It has been since the disaster last June.

I just made the comment, to GIFT, you know, I don't know about my furniture, what kind of shape it is going to be in because it had water damage and it has been in storage all this time.

Q You have already applied for additional loan assistance?

A This is included in the $16,000.

Q It is in the $16,000?

A Yes.

MR. POWERS: All right. Well, Mrs. Stone, if you have nothing else to add, you have answered all the questions I had in mind, and I appreciate your having taken the time to come down.

A It better stay the way it is because it is a good program.

MR. POWERS: All right. Thank you, again.

(Whereupon, at 5:45 p.m. the deposition of Marilyn P. Stone was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Marilyn P. Stone, acknowledge that I have read the foregoing deposition and that it is true and correct.

Marilyn P. Stone

Marilyn P. Stone

#6

5:45 p.m.
Dennis
dmt

DEPOSITIONS OF MAX A. AND SADIE BEYERSDORF

Monday, April [illegible], 1981

GRAND ISLAND, NEBRASKA

- - -

MRS. SADIE BEYERSDORF
MR. MAX BEYERSDORF

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q We are going to ask you a few questions about your loan and about your opinions. At the end you will have a chance to add opinions or comments you might like. There isn't anything in particular we are looking for except your reaction to how the program helped you and whether or not it would still help you if there were some changes made. Okay?

A (Mrs. Beyersdorf) I think it helped us fine.

Q Maybe one of you would like to basically answer the questions. You are both free to jump in at any time. If one of you wants to answer the basic ones, I will direct them to you. Whoever wants to answer, you may.

Would you give us your full name for the record?

A (Mr. Beyersdorf) Max A. Beyersdorf.

Q Mr. Beyersdorf, where do you live?

A Northwest of Grand Island.

Q You had a home in Grand Island that was hurt by the disaster?

A Out in the country, yes.

Q In the country? That was the tornado that came through last June?

A Right.

Q How much damage did it do to your home?

A Took it all.

Q So it completely destroyed it?

A Yes.

Q Did you have any insurance on the home?

A A little. Not enough.

Q So you then went down to see about getting an SBA loan to rebuild, is that correct?

A That is right.

Q You subsequently were approved for a loan of $39,500, is that correct?

A Right.

Q I assume you are in the process of finishing your rebuilding now, is that correct?

A Right.

Q About ready to move back in?

A We moved in.

Q You moved in?

A Yes.

Q So it is basically completed? They are still doing a little paint work or something?

A A little touching up.

Q Under your loan you are paying it back over 15 years?

A Right.

Q At $276 a month?

A I don't know. I never figured it up by the month.

Q Hopefully they will tell you that is what it is before your first payment is due. There are a number of proposals to change this program.

I want to make sure you understand we are talking about changes that would affect new borrowers. It would not in any way affect either of you. You have already applied for your loan. You have already been approved. The terms are all set.

When I ask you about certain changes, they are theoretical only as far as you are concerned. They are not going to change the provisions of your loan at all, okay?

A Okay.

Q Your loan was approved at an interst rate of three percent?

A Right.

Q It is the repayment of your $39,500 loan plus the interest at three percent that should result in your paying $276 a month back to SBA.

One of the changes that is being considered would be to increase the interest rate on disaster loans to 14 percent instead of three percent. If that were done, that would mean that somebody like you that had borrowed $39,500 and was going to pay it back over 15 years would have to pay $415 a month instead of $276.

You are not going to have to do that, but somebody else might if we change the program like that.

A (Mrs. Beyersdorf.) Wouldn't like it.

Q If that interest rate were changed, do you feel that you could have afforded to take out an SBA loan? Could you have afforded to pay them back $415 a month instead of $276?

A (Mr. Beyersdorf.) No.

Q Do you have any other source that you might have looked to for loan funds? Could you have borrowed it from the bank?

Do you have that type of money that you could have used on your own or borrowed from relatives or anything like that?

A It wouldn't be -- I don't know if we could get it from the bank or not. I know it wouldn't be from no relatives.

Q Am I safe to assume then that if the program had an interest rate of 14 percent on it that basically you would be in a position of looking for some place to rent because you couldn't have afforded to rebuild on your own?

A That is right.

Q What is your personal opinion on any proposal which would increase the interst rate like that? I know you have said the program would not help you, but do you think there are others that would be in the same position if the program essentially wouldn't help them at all because it is too expensive?

A I think it would be too expensive.

Q What do you think about the program as it is now?

A (Mrs. Beyersdorf.) Fine.

Q Has it been a good help to you?

A (Mr. Beyersdorf.) Yes.

Q Is it a good use of tax money to provide this type of assistance?

A That is right.

Q So you are satisfied with the program?

A Yes.

Q Do you have any complaints about it?

A No.

Q You think it is a good program then?

A Yes.

Q Do you have any suggestions that might improve it and make it a better program?

A No, no.

A (Mrs. Beyersdorf.) I just think the United States should help the United States people. I think that was what they did. Don't you?

Q Yes, ma'am, but I am biased.

MR. POWERS: I appreciate your taking the time to come down here and give us your views as to a program that has obviously helped you.

(Whereupon, at 5:55 p.m., the depositions of Mr. and Mrs. Beyersdorf were concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Sadie Beyersdorf, acknowledge that I have read the foregoing deposition and that it is true and correct.

Sadie Beyersdorf

Sadie Beyersdorf

ACKNOWLEDGEMENT OF WITNESS

I, Max Beyersdorf, acknowledge that I have read the foregoing deposition and that it is true and correct.

Max A Beyersdorf

Max Beyersdorf

- - -

#7

Dennis/gay
6:00 pm

DEPOSITION OF NORMA EMERY

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

NORMA EMERY

was called as a witness and testified as follows: .

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address.

A Norma Emery, 1116 West Koenig.

Q Mrs. Emery, you had some disaster loss in the tornado that came through last year?

A Right.

Q Would you tell us what losses you had?

A It was a game room at Meves Bowl Arcade, is what it was, pinball machines, TV games.

Q So it was to your business, then?

A Yes.

Q Do you know approximately how much of a loss that amounted to?

A Offhand,when I applied for the loan, I asked for $40,000. We figured that would just about cover the loss. Replacement value at that time, too, but it didn't quite fetch it. The machines went up so in price since. I would judge that is what we judged at that time. We made kind of an estimate of the loss.

Q You actually received a loan -- at least you were approved for a loan of $39,400?

A Yes.

Q I assume you are replacing the property now and will be getting more money from the SBA as you purchase more items?

A Right.

Q Mrs. Emery, under the terms of the program that was in effect to assist the victims of the tornado that came through, your business loan was approved at a 5 percent interest rate?

A Right.

Q There are a number of proposals to change this program. I would not in any way change your loan. You have already received your loan approval, so I am going to ask you some hypothetical questions if there had been a different program. I don't want you to worry we are changing yours at all. Yours is already locked in at the 5 percent rate for ten years for $39,400. Okay?

A Right.

Q One of the proposals that they are discussing would be to increase the interest rate on these disaster loans and instead of the borrowers paying 5 percent, they would have to pay 14 percent, which is a number that is much closer to the interest rate the Federal Government has to pay when they go out and borrow money.

In your particular case, had you received a loan at 14 percent interest instead of the 5 percent, your monthly payment would be $603, approximately, instead of the $429. Do you feel that you could afford to make monthly payments of $603 rather than $429?

A I could have, yes, although the bad part of this business is payments. When I do go borrow from any other source, the interest rates are so high. As I say, my payments are so high that it is hard to get a cash flow going in the business. Everything goes out for payments and for operating costs. This 5 percent would enable a person to really get on their feet a little quicker, a little better.

Q One of the other proposals would be to only approve loans for a percentage of the amount of the loss. In your case, the $39,400 represented yours and SBA's best estimate at the time of what your actual loss was.

If, for example, you were only to receive a loan for, say, 60 percent of that amount, what would have been the effect upon your business?

A Well, it would help.

Q It would hurt, you mean?

A It would hurt, but it still would be -- if I could get that, it would be better than nothing at all.

Q Anything is better than nothing?

A This other is much better. I mean, it is much easier to get back in gear.

Q At the 5 percent rate, it being less than the cost of the Federal Government borrowing money, some people would say the government is actually losing money, if you assume that these are borrowed dollars that are loaned to you, do you think that it is a good program to have the government loan money out for less than they would have to pay if they had to borrow?

A I really don't. In a way, they should -- you know -- actually, but I don't know how they could be -- if they are losing money on it or not. In what way would they be? They are going to get their money back.

Q Well, it is a matter of whether you consider that these loans are made from tax dollars that are being returned or is it part of our deficit, so that the government has to go out and borrow money in which to make the loans. If you view them as a return of tax dollars to the people, then you could conclude that even the 5 percent interest rate is a profit to the government.

If, on the other hand, you view them as forcing the Federal Government to go out and borrow money to make the loans, then they are losing the difference between the 5 percent that they pay or the 5 percent that they receive from a disaster victim versus the 14 that they have to pay investors.

So, I guess it is whether you view a glass of water as being half full or half empty.

But do you view this as a good program in its present state?

A I really do, for the small businessman, yes. They have a hard enough time trying to make it as it is, sometimes.

Q Do you think it is a worthy program that if it is concluded that -- I don't know how anybody could rationally conclude it, but assuming that we do conclude that these have to be borrowed dollars that are being loaned out, and that these borrowed dollars are costing 14 percent, should the program be changed so that the disaster victim has to pay 14 percent? Or should it be something that the Federal Government provides as a service to disaster victims?

A Well, I honestly don't know. I wouldn't know what to say. Like you say, you hate to see --

Q What do you think it would mean to you if you had to pay the 14 percent rate and in essence had to pay, say, $180 more a month? I know you said it would cause you some cash flow problems.

A That is true.

Q Do you have sufficient cash?

A At times I do and at times I don't. It is kind of a touch and go business.

Q But you think you would have gone ahead and borrowed the money regardless of the interest rate if somebody had been willing to loan it to you?

A You have to really, if you want to stay in business. Although, like I say, it is really rough. It is touch and go. This plan is terrific, I think, the way it has helped me.

Q Even though you think in theory maybe we shouldn't lose money on it if they are borrowed dollars, nonetheless you think it is a good program?

A It is a good program for the person who really needs the help.

Q Would you have been able to borrow money from a bank?

A Yes, I could. In fact, I have had to borrow. It is costing so much more money to set the room back up after what we anticipated after Mr. Alms got the bowling alley. The room is larger. He wanted more equipment. We figured it would cost around $40,000 to set it back up. It is going to run around $70,000.

I am having to go get money from other sources, too. That is in order to stay in business.

Q As I understand it, you didn't have any insurance that would cover this loss?

A None. It is a hard business to insure, that kind of equipment, TV games, pinball machines, things, especially in -- of course, this has taught me a lesson. I have so many concentrated in one location.

Q So, your losses for your equipment, it wasn't something you had in a warehouse or something. You had them placed in individual businesses?

A Yes. I do have other places. The games, you rotate them around from one location to another. Of course, that was a big loss there because, in fact, there were a lot of machines sitting there at the time.

Q Would you have any suggestions as to how this program could be improved? Do you think it is as good as it can be based on what you know?

A It seems good.

Q Do you have any objections or do you favor using your tax money to support a program like this?

A When people really need it, I don't think you care that much. As long as it is being used for a good purpose.

Q Do you think that a disaster victim should be required to, for example, go to a bank and be refused credit from a bank before he should be able to participate in this program?

A Well, a lot of these people I don't think have ever had credit at banks or anything, have they?

Q Many of them would not.

A Wouldn't have. Many wouldn't have, so I don't know. It might be a little difficult for them to even get a bank loan.

Q Probably would have been difficult for you based on what you are saying. Your losses are what, someplace around $70,000?

A To replace it yet. What I did at the time I got the distributors to give me a figure on replacement value. Some of the games could be replaced, but others couldn't. They keep making new ones all the time. They are going up in price constantly. So they just made a wild guess on some of them.

It wasn't really quite sufficient for some of them. Like I say, you can't buy the games now. The company makes one for a couple three years and then they discontinue it. You have to go to a new game. You couldn't even get parts or anything for them.

Q Do you have anything you wish to add?

A No. I am very well pleased with the deal other than, like I say, I didn't get quite enough money. I will work out of it some way, somehow.

MR. POWERS: I appreciate very much your taking the time to come down this evening. We appreciate your input and that we received from the others. It will be very helpful.

(Whereupon, at 6:15 p.m. the deposition of Norma Emery was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Norma Emery, acknowledge that I have read the foregoing deposition and that it is true and correct.

Norma Emery

NORMA EMERY

#8

Bradfield
dmt

DEPOSITION OF MILO STITES

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

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MILO STITES

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please?

A Milo Stites. 120 West 18th, Grand Island.

Q In the tornado that came through Grand Island last June, you suffered a loss of business?

A Right.

Q Would you tell us what type of damage you had?

A Total loss.

Q What type of business is it?

A Printing.

Q A printing company? Leveled the building and you lost the contents and everything?

A Right.

Q Did you have any insurance on that?

A Right.

Q In addition to the insurance though,you needed another what, $50,000, to repair your property?

A We were only in business a year and a half. It was all mortgage, so the insurance would pay off the mortgage.

Q Have you received the entire amount of your loan so far?

A No.

Q So you are still rebuilding and buying equipment?

A Yes.

Q Are you back in business at all?

A Yes.

Q And when do you think that you will be completely back to pre-disaster condition, another few months maybe?

A Did you get that?

I don't know. I think we are doing a bit better than what I expected after seven months, but it is still going pretty slow.

Q All right now, Mr. Stites, under the terms of the loan that you received, you are paying five percent interest for a ten year loan?

A Right.

Q And that makes your payments approximately $545 a month?

A Well, we don't know yet.

Q Well, assuming that you receive your entire $50,000?

A Well, I don't think it will take that much.

Q All right. One of the proposals that is being considered, and I want to stress that it is a proposal that will not apply to you. You have already been approved for your loan and the interst rate and the terms, etc., have been set, but for future disaster victims, one of the proposals that is being considered would be to increase the interest rate on those loans, and require the borrowers to pay 14 percent instead of five percent.

Now, in your case, were this change to be made, and if you were to come in and receive a $50,000 loan for ten years, instead of having to pay $545 a month to repay that, the required monthly payment would jump to $765.

Do you think that you have sufficient cash flow in your business and profits that you could repay $765, or in essence, about $220 a month more?

A Well, not today. Now, maybe down the line.

In how many months, I don't know.

Q But you do not right now have a sufficient cash flow that you could justify paying that type of an interest rate?

A No.

Q And am I also then correct in assuming that it is not feasible for you to go out and borrow this kind of money from the bank rather than from the SBA because I assume you would have to pay 15, 16, 17 percent?

A Yes, if I had to borrow from the bank, I would never have reopened.

Q One of the other proposals that is being considered would be to limit the amount of the loan. Now, under the laws and the regulations that were in effect for your loan, you are entitled to receive a loan which was equal to your net loss, the actual amount it would take to repair or replace your property.

Now, what would your opinion be of a proposal which would limit it to only a percentage, let's say, for example, that you were only to receive 60 percent of the amount it would take to repair your property. Would that program help you?

A No, it wouldn't.

Q Do you think that you would have been able to reopen your business if you were only able to obtain sixty percent? Could you have scaled back, or would it have been a matter of you had to have the whole thing or you couldn't have re-established it?

A No, I probably could open, because I am not going to take the full amount that we thought would be needed.

Q Well, are you --

A What percent, I don't know.

Q Are you cutting back on what you originally were planning on doing or are you finding that you didn't really have the amount of the loss?

A I had the loss, but I picked up some used equipment, changed some things around.

Q Okay, based on your experience with this program, what do you think of it? Is it a good program? Would you like to see it continued as it is, or would you like to see it changed?

A Continued as it is. I don't think it should be raised.

Q All right. Do you think this is a good use of your tax money to help people out in the case of a disaster in a case like that?

A You bet.

Q Do you have anything else that you would like to add?

A No.

Q Well, I appreciate your taking the time to come down here this evening. By talking to you and others that have been assisted by the program, at least we are in a position the program is designed to assist, and it will help us to make some conclusions and the Congress to make some conclusions as to the continuation of this. I thank you.

It takes an effort to come out at night and do something like this, but we do appreciate it.

Okay?

A Okay.

(Whereupon, at 6:25 p.m., the deposition of MILO STITES was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, MILO STITES, acknowledge that I have read the foregoing deposition and that it is true and correct.

Milo Stites

Milo Stites

#9

Carol/gay
6:45pm

DEPOSITIONS OF MR. AND MRS. RUSSELL O'NEILL

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

RUSSELL O'NEILL

JOSEPHINE O'NEILL

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Mr. O'Neill, do you or your wife want to act as primary spokesman? You are both free to jump in.

A (Mr. O'Neill) Either one of us.

Q Give your name and address for the record, please.

A Russell O'Neill, 1732 North Houston, Grand Island, Nebraska.

Q You suffered damage in the tornado which came through here last June?

A Yes, sir.

Q That was damage to business?

A Yes.

Q Would you describe that, please.

A Well, what it is, we got a bunch of houses that we moved in, and redone them. We got them all done and didn't have them all insured, but had most of them insured, and we run short of money, that is all.

Q You rehabilitate housing, that is what your business is?

A That is right.

Q You had damage to one property off on O'Neill Circle?

A Right.

Q And?

A One on Hope.

A (Mrs. O'Neill) H-O-P-E.

Q On the O'Neill Circle property, you had a loss someplace around $69,000, and you had some insurance on that of $42,000, is that correct?

A (Mr. O'Neill) That is right.

Q You wound up then on that piece of property receiving a real property loan of $27,600?

A That is right.

Q And then on the Hope Street property, you had $36,300 in damage, I believe, to that?

A That is right.

Q Finally, you had some machinery, equipment and inventory that you lost $9,500 on?

A Yes.

Q What you wound up with was being approved for a total loan of $73,400?

A That is exactly right.

Q Okay. And the loan you received is repayable over 15 years at 5 percent interest?

A That is right.

Q All right. There are a number of proposals that are being considered, both by the Administration and Congress, to change this disaster assistance loan program that you are participating in.

We are not in any way going to change your loan--I want to make that very clear--that you have been approved for your loan, you have got a contract with SBA and the terms are already set, so when I ask you about your opinion or what the impact would be on you, if this was changed, this is just a theoretical question. We are not going to change your loan so don't call SBA tomorrow and tell them somebody told you tonight we are changing it.

You are set up to pay 5 percent interest on this, and if you receive the entire $73,400, that makes you a monthly payment of $590 a month to repay this.

A (Mrs. O'Neill) We made two payments already.

Q Okay. That is based on a 5 percent interest rate.

A (Mr. O'Neill) Right.

Q One of the proposals is to increase the interest rate to disaster victims to 14 percent interest instead of the 5 percent. Now, in your case, that would have meant that instead of paying $590 a month, you would be required to pay $958 a month. Could you afford to pay that type of an increase?

A It wouldn't be economically feasible to fix them up because you couldn't rent them out to the price. It just wouldn't work. It wouldn't work.

Q Am I safe in similarly assuming, then, that it would not be feasible for you to go borrow the money from the bank or anything and pay their rates, which would exceed the 14 percent that we are thinking about?

A That is right.

Q Basically you would just have two pieces of housing that you are now making available to residents of the community that just would not have been there?

A That is right.

A (Mrs. O'Neill) Right.

Q One of the other proposals would be to limit a disaster victim to a loan for only a portion of the loss. Now, in your case the amount of the loan that was approved for your company is based upon your estimate and SBA's loss verifier's estimate of exactly the amount of your actual loss.

Would it have been feasible for you, had you only been entitled to receive 60 percent of what it was estimated it would take to repair the property? In other words, could you have scaled back what you are doing to the property, or could you have gone to a bank or used funds from some other source to make up the other 40 percent?

Bradfield
dmt
fls.
gay

A Well, if they forced me to, I probably could, but it would be pretty tough because we had the others right in the same area.

A (Mrs. O'Neill) We had all of our eggs in one basket as you say, right there.

Q These three properties were virtually wiped out?

A (Mr. O'Neill) Two of them were.

A (Mrs. O'Neill) We moved it and had it ready to go.

A (Mr. O'Neill) Just getting it started. You can't get insurance --

We could have gotten the owners' insurance and we thought we did something wrong.

Either the insurance man did something wrong or I did.

A (Mrs. O'Neill) It just happened. We just moved it.

A (Mr. O'Neill) We put a builder's risk, as they call it, and Jim, the insurance man, he said he thought it was in and I thought it was in, but I guess it is still under review but that don't mean nothing. If you get it, it is going to be a good thing.

The last time I talked to him, they said they were still reviewing it, but that is quite a while.

Q What is your personal opinion of the program? Is it a good program, helpful, a waste of money?

A No doubt about it being helpful. There's a lot of guys in town that got it. Well, it helped so many guys. The guys that I know, I know, oh, ten or twelve guys, they would have just done what I would have done. They would have leveled it off and forgot about it, start out on another one.

Q These are people, these ten or twelve that you are referring to, that also rehabilitate housing?

A No, we are about the biggest ones in town that rehabilitate. I like to do it because it is different.

A (Mrs. O'Neill) It is dirty work.

A (Mr. O'Neill) Most of them are in building. Well, it wasn't even in the same area. It was in different areas from this but they are all contractors.

A (Mrs. O'Neill) I got a picture of a house that was damaged from the outside but wasn't bad. This is what our houses looked like when they moved in. This is the back end. It is a duplex. It used to be our old Boy Scout office here in Grand Island, so we moved it here.

That is where it damaged the back end, but the front end was good except for one window in the laundry room.

A (Mr. O'Neill) There are fourteen of them in that area.

A (Mrs. O'Neill) We lost one, but the one I gripe about is the FEMA people, that's what I mean.

A (Mr. O'Neill) Just leave that alone.

Q You actually purchase houses and then move them along with renovating and rehabilitating them?

A (Mrs. O'Neill) Yes.

A (Mr. O'Neill) We had a real nice guy, he eventually had a lot of experience at this type of thing because the inspector that came in, he was smart. He knew his business.

We have 52 houses that we have done, moved and put into place, and so I think we know half-way about them, but that guy was the smartest guy that I have ever talked to in our business.

Now, he might not have been good any place else, but he knew when he looked at a house what he was talking about.

He was one of the sharpest guys I ever run into. He made me sit back and look at him because he wasn't that much older than me and I don't know where he got all his experience.

A (Mrs. O'Neill) He seen the property.

A (Mr. O'Neill) He said to me on one of them, he said, ""How much do you think you will save, ten percent?"

I said, "Oh, no, it is going to be more than that."

He said, "I just wanted to hear what you would say."

He was sharp.

Q On that one you were estimating a 75 percent loss then in other words?

A Well, this was on one of the houses we had insurance on. It didn't have nothing to do with SBA.

He was interested in it. He was interested in me and what was going on. He wasn't, well, we call them bureaucrats. I don't know what you call them. He had a heart, and he had a good head on him and he knew what he was doing. So many times you run into buys that are, well, they shouldn't have their job, you know what I mean.

They just don't know what you are talking about. This guy just knew everyting. He is the smartest man on that type of business I ever run into.

Q The tornado that went through here did a terrific amount of damage compared to the size of the town. Isn't that correct?

A They only lost five people, and it is impossible to lose five people with that much stuff and at the time it was, you know, right in the rush hour for restaurants and it went right down through restaurants. It was just impossible. I don't believe it today.

Q What do you think the impact would have been on the community here if instead of making these low interest rate loans available to everybody, that the program would have only provided, for example, for 14 percent interest rates to those that couldn't borrow money from the bank. Could they have rebuilt the community?

A I think they could have rebuilt it in probably three or four years instead of one, maybe five.

It is a good town.

I think they would have done it but I don't think they would have done it, well, I know I wouldn't have and I know the ones I have talked to, they wouldn't have. No way they could. They had to have something where they could get it, well, that was just when everything was out of balance anyway.

A (Mrs. O'Neill) The year was tough for everybody in town already. You know, before the tornado, we were wondering what people would do to make a living, to get around.

Q In all, you think it is a good program?

A (Mr. O'Neill) I think, everyone that I have really run into, and the guys down in the office, and they gave me some hard times. They weren't pushovers. They made me prove that I could pay it back and that I could do those things, and this is fair.

Q Would you change anything about the program?

A It would be nice if they didn't charge as much interest, but that is unrealistic. It was, like, I wasn't--if it hadn't been for my boy, I wouldn't have even filed for it. He wanted me to, and he filled out the papers.

He was a lot smarter than I was because we would have just dumped those two.

A (Mrs. O'Neill) He is 30 years old, and we are in our sixties.

Q (Mr. O'Neill) I have never dealt with the government. I was in the Army, and I wasn't ever satisfied with that, you know.

Q It sounds like you had a good experience.

A Most of that stuff that you get into, you run into guys that just -- but these guys knew what they were talking about, and they didn't, they weren't pushovers, and I had to go down, I spent a lot of time at it, but it all paid off.

A (Mrs. O'Neill) Our attorney helped us a lot. He would tell us, "Don't give up. You need it." So it helped us out. He talked to us a lot of times.

Q Mrs. O'Neill, do you have anything else you would like to add?

A No.

Q Mr. O'Neill?

A (Mr. O'Neill) Personally, I know those two houses would have been gone because there would have been no way I could have went to the bank with all the other damage and all the other stuff and borrowed the money and to keep up the overwork.

We are still working on it.

A (Mrs. O'Neill) We ain't done yet.

A (Mr. O'Neill) We had that bunch right there in a bunch, and you know, we did a lot of work outside that we wouldn't have done, so we got some stuff.

A (Mrs. O'Neill) He was working outside as many nice days as we had, and that is where it was most all winter, now we got all the inside work.

A (Mr. O'Neill) If you get a chance, run down by there and take a look at it.

MR. POWERS: We appreciate very much your taking the time to come down here this evening.

A You guys did a good job for us.

MR. POWERS: Thank you, again.

A You had people that was qualified that knew what they were doing.

We thank you for your time.

MR. POWERS: Have a seat and they will type this up.

(Whereupon, at 7:00 p.m. the depositions of Mr. and Mrs. O'Neill were concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

I, Russell O'Neill, acknowledge that I have read the foregoing deposition and that it is true and correct.

Russell M O'Neill

RUSSELL O'NEILL

I, Josephone O'Neill, acknowledge that I have read the foregoing deposition and that it is true and correct.

Josephine L O'Neill

JOSEPHINE O'NEILL

Dinkel
dmt
7:00

#10

DEPOSITION OF SHIRLEY THAVENET

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

SHIRLEY THAVENET

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address?

A Shirley Thavenet, 4264 New York Avenue, Grand Island, Nebraska.

Q Your home suffered damage in the tornado last June, is that correct?

A Total.

Q Just wiped out the home and contents?

A Even the foundation had to be bulldozed.

Q Did you have any insurance on the home?

A Yes.

Q How much was that, do you recall?

A I believe it was sixty-one five.

Q $61,500?

A In that vicinity. Half of that was personal.

Q Then in addition to that it was necessary for you to obtain additional financing to rebuild, is that correct?

A Right.

Q You went to SBA and then received a loan for $52,400?

A Right.

Q Over and above the amount of the insurance that you received?

A Yes.

Q Have you now rebuilt your home?

A Correct.

Q You are back in it?

A Christmas week.

Q Good. Under the terms of the loan that you received, you are required to pay SBA three percent interest for 18 years?

A Eighteen. I put 30. Excuse me. Do you want to correct that?

Q Yes. We will change that.

None of the terms of your loan can be changed. That is an agreement that you have already made with SBA. We are considering making only changes in the program which would apply to disaster victims in the future, but not to your loan.

You already have it locked in at the three percent rate and everything is all set. So I want to make sure that you don't get concerned that we are talking about changing your loan when I ask you about some of these proposals, okay?

A You are not going to be retroactive?

Q No. Not retroactive to you.

A All right.

Q Under the terms of the loan that you received at three percent, your monthly payments would amount to approximately $319?

A Correct?

Q One of the proposals is to increase the interest rate on these loans to 14 percent instead of 3 percent to give you an idea of the magnitude of that type of change this would result in someone in your situation paying $651 a month for the same loan rather than the $319 that you have agreed to pay.

Based upon your income and your husband's income, would it be feasible for you to rebuild your home if you had to pay double your monthly payment?

A No.

Q You couldn't do it?

A No.

Q I assume then that similarly it wouldn't make any difference whether it was an SBA loan or one from the bank, the bank being a source that is going to charge you at least the 14 percent in today's market, so you just plain could not have rebuilt?

A We would not have rebuilt.

Q I assume that means you would have rented or moved?

A Well, I would imagine, having four kids that are in high school, approaching high school, looking forward to some assistance to go to college, that we would either have rented or actually come down considerably in our style of living.

However, we tried to rent following the disaster. No one would rent to us with four children and a cat and dog. Where do you go at that point? Who do you determine goes and stays?

Q What do you think of the SBA program? Is it a good one? Does it need to be changed?

A We felt that it was excellent. The regulations were stiff and you don't have to put this in the record. They ran us crazy with paper work, but I felt this was necessary for your protection and for the borrower's protection. We had so many forms you wouldn't believe to fill out, but I felt it was necessary that we do this. Those that were persistent enough in following through apparently were eligible for the loans.

Q Well, if it is all right with you, I would just as soon have those comments on the record.

A All right. That is our exact feeling. Every day we had something different, but I did feel it was necessary for your own protection that you follow that.

Q Do you think that it is a good program for everybody? Is it something that should be continued?

A Yes, I do. I feel very strongly in regard to disasters.

Q What do you think about the interest rates?

A My personal feeling is three percent is about what somebody in our situation could handle, already having had a present loan at a local savings and loan on the house that blew away that we are obligated to pay.

Q The insurance didn't take care of all of the previous loan?

A It would have, however, then we would --

Q You wouldn't have had any money to rebuild with?

A That is right. They were kind enough to allow us to maintain that loan there at, I believe, seven or seven and a half percent interest to keep that loan.

Q Essentially you are back to ground zero then?

A Right. That is correct.

Q Insofar as what you have accumulated in the way of a home after this loss?

A You see your entire lifetime of working wiped out in front of you. The first inclination I think many people have is just to end it all.

Q What do you think would be the impact on communities like Grand Island if the only types of loans that were available were at a high interest rate of 14, 15 percent?

A I think the community would be an economic disaster.

Q People would just pull up stakes and move?

A That is right.

Q You think it is a good use of your tax dollar then to provide this type of assistance?

A I do. Much better than some other services that are being provided.

Q Do you have anything you would like to add?

A No.

MR. POWERS: Well, I think you have done a good job of describing the impact of this program on you.

THE WITNESS: I tell you, the fact that my husband's first inclination was -- he served his country in the Navy. You had an overwhelming sense of patriotism when you found out your country was able to help you, when you were in this position. That was his reaction.

BY MR. POWERS:

Q Here was a program that actually helped?

A That is right. That was his gut feeling. Somebody actually is going to do something for us.

Q I am glad to hear that.

A I don't know how any of you would feel, but that was our feeling.

Q I think that is a sentiment a lot of people have. Here we have this big federal bureaucracy. All at once here is a program that actually provides assistance. It is not just something that is provided to somebody else. It actually does help you.

A I think really the people that applied for the SBA assistance are your hard-working people, those that were down there trying to get something for nothing didn't qualify anyway. I know you have that because every disaster has that. I do feel that the screening was very good. You know, we were in an area where numerous people were involved in the same situation.

MR. POWERS: We appreciate very much your taking the time to come down here.

THE WITNESS: Fine. I want to see you do something about this down in Washington.

MR. POWERS: We are going to try.

(Whereupon, at 7:10 p.m., the deposition of SHIRLEY THAVENET was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, SHIRLEY THAVENET, acknowledge that I have read the foregoing deposition and that it is true and correct.

Shirley P. Thavenet

Shirley Thavenet

#11

Dennis/gay
7:10pm

DEPOSITION OF PAULINE BOLLES

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

PAULINE BOLLES

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please.

A Pauline Bolles.

Q Your address?

A 715 Pleasant View Drive.

Q Mrs. Bolles, you had some damage that you received in the disaster that went through here last June?

A Yes.

Q That was damage to your home?

A Yes.

Q How bad was it hurt?

A Our house was totaled.

Q Tornado just lifted it right away?

A Almost all of it.

Q Did you have any insurance on the home?

A Yes.

Q It didn't pay for everything, though, I take it?

A No.

Q In addition to the insurance, then, you wound up with an additional loss of some $26,650?

A Right.

Q To finish the job of replacing your home, you took out an SBA loan for that amount?

A Right.

Q We have a number of proposals under consideration in Washington to change the terms of the program, change the interest rate, change the amount of the loan, et cetera.

I want to clarify at the outset we are not talking about changing your loan or anybody else that has already received one. You already have the terms and conditions set forth, so we are not going to change them, okay?

A Okay.

Q Under the terms of your loan, you agreed to pay the SBA back at the rate of $150 a month?

A Right.

Q Which is the amount needed to repay in 20 years your $26,700 loan at 3 percent interest. One of the changes that is being considered would be to increase the interest rate. Instead of loans at 3 percent, we would charge 14 percent. In your case, that would have meant that the monthly payment would have more than doubled. Instead of having to pay back $150 a month, you would have been required to pay almost $325 a month.

Could you have made payments like that?

A No.

Q What would you have done if the only assistance that was available to you was at the higher rate like that? Just rented?

A Probably. Probably would have sold what we had and rented a house.

Q So, basically, then, the program meant the difference between your being able to rebuild your own home or having to find someplace else to rent, is that correct?

A Right.

Q Do you feel then that the program helped you?

A Oh, yes.

Q Helped in restoring things?

A Yes.

Q Were you satisfied with the program? Did it help you like you thought it would?

A Well, yes. I thought it did. Did a lot of footwork.

Q You mean as to the work that was involved in getting the loan was quite a bit of work?

A Footwork, a lot of running. After this, after that, papers.

Q Do you think 3 percent is a good rate, a fair rate to charge disaster victims when they have been through something like this?

A Yes.

Q Should it be higher, lower, the same?

A You can't be too much lower.

Q On the other hand, you couldn't pay it if it was too much higher?

A Right.

Q Do you have anything that you would like to add to your statement, Mrs. Bolles?

A No, not really.

Q We appreciate your having taken the time to come down this evening. Your information and that supplied by the other people down here will assist us quite a bit in evaluating this program.

A I thought it was a pretty good program. I don't know about other people, but I don't think we could have repaired it without.

MR. POWERS: Again, thank you very much.

THE WITNESS: Okay.

(Whereupon, at 7:15 p.m. the deposition of Pauline Bolles was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Pauline Bolles, acknowledge that I have read the foregoing deposition and that it is true and correct.

Pauline Bolles

PAULINE BOLLES

#12

Dennis/gay
7:20 p

DEPOSITION OF JoANN HYDE

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

JoANN HYDE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please.

A JoAnn K. Hyde, 715 South Sun Valley, Grand Island.

Q Mrs. Hyde, you had some disaster damage from the tornado that went through here last year?

A Yes, I did.

Q I guess that is kind of an understatement, that you had some damage?

A Yes.

Q Would you describe what happened, please?

A Well, we had a total loss of our house, trailer; we had a camper trailer, and one car. Fortunately, I was at the hospital so we saved one vehicle. We lost pretty much of everything.

Q Do you remember how much insurance you had?

A (No response)

Q It doesn't matter that much.

A It is like 20 -- no, no. I am sorry. I think it was about $48,000 on the real property and $23,000 on the personal, and then about $3,000 on the vehicle and the trailer. To the best of my memory. I have had a lot of figures floating around.

Q In addition to the insurance coverage, you had additional damage that was not covered?

A Right.

Q In order to replace the balance of your property, you went to SBA and applied for a loan?

A Right.

Q Subsequently were approved for a loan of $33,400, I believe?

A Correct.

Q Under the terms of that loan on which you are paying 3 percent interest over 25 years--is that correct?

A Right.

Q --your monthly payment would come to approximately $160?

A Correct.

Q Congress and the Administration are now considering making some changes in this disaster program that you are participating in. It would not in any way change the terms of your loan. We are only talking about making changes for people that have not yet been through a disaster, but nonetheless, I would like to go through some hypotheticals with you.

I don't want you to worry. We are not going to change your loan. We are not thinking about that at all. That is a contract you already have got, okay?

A Right.

Q You agreed to pay 3 percent interest. That amounted to a monthly payment which you stated was $160 a month.

A Right.

Q One of the changes that is being considered would be to increase the interest rate on these loans to 14 percent, which comes close to approximating the interest that the Federal Government pays when it goes out to borrow money.

The impact that this change would have had on you had we implemented it and had a higher rate, you would have been required to pay $392 a month rather than $160.

Is it feasible, based on your income and your husband's income, that you could have paid double, a little more than double in monthly payments?

A No. We would have had to have gone smaller.

Q So you either rebuild a smaller home or --

A As it was, we did build a smaller home. We went down in square footage, but as you well know, the price was a lot more to build.

Q What was your impression of the program and the way it helped you? Was it a good program?

A It is a good program. I work for a contractor for the Federal Government, so I know paperwork, but even I was a little overpowered by all the paperwork. The paperwork was worse than the tornado, I think, between the SBA and the insurance and whatnot.

I was able to handle it all right, but I feel for people who are not used to paperwork, it was just overpowering.

Q Would you favor retaining the interest rate at the current 3 percent or do you think it should be raised, lowered? What is your feeling on that?

A I realize the government is trying to balance the budget, too. But I do feel that the 3 percent is a good thing for people in disasters such as this because it is just such a -- I feel that if the interest rate were to go up, if people were basically not well insured, I think they would either have to consider not rebuilding at all or, you know, going considerably smaller. I can also see it from the standpoint of the government, too. I realize --

Q What do you think would have happened to the community if the only assistance that had been available would have been either through a bank or at 14, 15 percent through the government?

A I think it would have been disastrous. In our particular neighborhood, I feel that most of us were fairly well insured, were fairly stable. We may have been able to swing loans to rebuild somehow or other, but just a little ways over from us, over behind Driesbach's over here, there are some small homes. Those people were apparently quite underinsured.

I think -- well, in fact, it was already disastrous for some of them. They either couldn't qualify for SBA or I don't know if they didn't know how to go about the paperwork. I belong to a neighborhood association. We have been looking into this quite deeply. I have seen the effects on some people now. I think it probably would have been more if SBA hadn't been available.

I am grateful that as far as we are concerned, that it was. I am sure several of the smaller businesses feel the same way, too.

Q You basically would conclude it is a good program and should be continued?

A Yes.

Q Do you have anything else you wish to add to your statement?

A I am just sorry that SBA and Internal Revenue didn't get together on the kind of records that were ~~available~~ required. The

Federal Government -- I realize each one is a separate agency. I think it is too bad that the records, since we had to have all of these records for SBA, couldn't have been the same kind necessary for the Internal Revenue.

Q You mean in order to write off your loss on this for tax purposes?

A Yes.

MR. POWERS: I appreciate very much your having taken the time to come down this evening.

THE WITNESS: Thank you.

(Whereupon, at 7:30 p.m. the deposition of JoAnn Hyde was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, JoAnn Hyde, acknowledge that I have read the foregoing deposition and that it is true and correct.

JoAnn Hyde

JoAnn Hyde

13

7:35 p.m.
Bradfield
dmt

DEPOSITIONS OF MR. AND MRS. DONALD R. FILLINGER

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

MRS. MARJORIE FILLINGER
MR. DONALD FILLINGER

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Mr. and Mrs. Fillinger, I have got some basic questions I want to run through with one of the two of you. It does not matter, either one can feel free to jump in at any time.

Would you state your name and address for the record, please?

A Donald R. Fillinger, 104 East 12th, Grand Island, Nebraska.

Q Mr. Fillinger, you had some tornado damage last June?

A Yes.

Q Would you describe basically what happened?

A The house was off the foundation, and that is about it, I guess, moved off the foundation and tore down and rebuilt.

Q Your home was a total loss, in other words?

A Yes, yes.

Q You also lost some contents in there?

A A few.

Q Did you have any insurance on the property?

A Yes, we did.

Q How much was that, approximately?

A (Mrs. Fillinger.) We received, I think it was $39,100.

Q But that didn't cover the entire loss?

A No.

Q In addition,you applied to SBA for a disaster loan?

A (Mr. Fillinger.) Yes.

Q Subsequently received $21,500, is that correct?

A Correct.

Q That loan was approved at three percent interest for 25 years which resulted in a monthly payment of $103, is that correct?

A Right.

Q There are a number of proposals that are being considered to change the provisions of that program, that would change the terms.

We are not talking now about changing your loan at all. You have already received your loan, so when I ask you about some of these changes, they would only be applicable to future disaster victims, not to yours.

Under the terms of your loan at three percent, it requires a monthly payment of $103.

One of the primary proposals is to increase the interest rate to 14 percent.

Now, in your case this would have amounted to a monthly payment of $242 instead of the 103, so you would have had about a 150 percent increasein the required payments.

Based upon your income, is this something that you could have handled?

A Well, we probably could have handled it, yes.

Q It would have meant going without some other things?

A Oh, yes, you bet.

Q Even if the loan had been available at 14 percent, you probably would have rebuilt then?

A Probably not.

A (Mrs. Fillinger.) We would have to rebuild the house. We had to have a house to live in.

A (Mr. Fillinger) It might not have been the same quality of house but it would have been a house, you know.

Q All right, what do you think about the benefits of this program. Did it help you? Is it a good program under the conditions?

A You bet. It did help us an awful lot, yes. It would have meant that really, our house we got now ain't as good as the one we lost, but it still, we still would. It would have had to be a cheaper home if it hadn't been for this program. I don't think we could have gotten it for 39,100 dollars.

Q Which was the amount of your insurance?

A Yes, I am quite sure we couldn't have.

Q What do you think of the interst rate on this program? Is three percent a fair rate? Is it a good use of your tax dollars?

A I thought it was in this case.

Q Do you think it is a good use of it for other people too, aside from the fact that it has helped you?

A Yes. I don't know, I think we probably could have got a loan at that time for ten percent, wasn't that what he said?

A (Mrs. Fillinger.) Right. We could have got one for ten from Equitable Building and Loan for the amount that we still owed on our old loan which we had to pay off with our insurance money before we could clear the house, the title and everything.

Q What was your old interest rate?

A At that time ten percent and that is why it would have been available to us at that rate.

Q What do you think the impact would have been on the community here if the only assistance that was available would have been at 14 percent interest?

A It would have been bad, I think.

Q It would have been drastic because half the people wouldn't have been rebuilt yet. The town would have been a lot slower coming back, in my own personal opinion. I really don't know how many people got this loan but I presume quite a few of them did.

Q Okay, is there any way that you would recommend changing the program?

A No, not really. I thought we got treated real fair by the people that we dealt with myself and my wife did too. I thought we got treated real fair, really.

There is some that didn't, but there wasn't nothing the guy couldn't handle.

Q Anything you would like to add, Mr. Fillinger?

A No, that is about it. I know that the people we deal with is real nice here and as far as changing anything, I don't think I would.

Q Mrs. Fillinger?

A (Mrs. Fillinger) I have about the same opinion.

MR. POWERS: Good.

(Whereupon, at 7:40 p.m., the deposition of MR. and MRS. FILLINGER were concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, DONALD FILLINGER, acknowledge that I have read the foregoing deposition and that it is true and correct.

Donald R Fillinger

Donald Fillinger

ACKNOWLEDGEMENT OF WITNESS

I, MARJORIE FILLINGER, acknowledge that I have read the foregoing deposition and that it is true and correct.

Marjorie A. Fillinger

Marjorie Fillinger

#14

Carol/gay
7:45 pm

DEPOSITIONS OF MRS. AND MRS. FRED L. WILSEY, JR.

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

FRED L. WILSEY, JR.

THEDA WILSEY

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q First off we need somebody, I guess, to act as primary spokesman. Do you want to do it, Mrs. Wilsey?

A (Mrs.`Wilsey) I dealt primarily with the SBA.

Q Would you give your name and address for the record, please.

A Theda Ann Wilsey, 2407 North Taylor.

Q The tornado that came through here last year damaged a home that you owned?

A Yes.

Q Describe the damage, please.

A Totaled.

Q Took it right off the foundation?

A It damaged it enough and even made the basement start to cave in so that it didn't take it completely off, but it wrecked it so bad the insurance just called it totaled.

Q How much insurance did you have on the property?

A Oh --

Q Just approximately.

A Well, we got $34,000 for the home.

Q And some additional on contents or vehicles or something?

A Yes.

Q In addition to that, there was other damage?

A We lost both cars and everything inside was ruined.

Q In addition to your loan, in order to repair the property and put it back, it was necessary to ask SBA for a loan of an additional $32,400?

A Because we had to start with a brand new basement.

Q You were approved for a loan in that amount?

A (Mr. Wilsey) Yes.

Q Have you rebuilt now?

A Yes.

Q Okay. Now, under the terms of your loan, you pay 3 percent interest over a period of 30 years?

A (Mrs. Wilsey) Yes.

Q Which amounts to a monthly payment of $138, is that correct?

A (Mr. Wilsey) That is right.

Q We are considering, or the Congress is considering some changes in the disaster loan practice that SBA administers. It would not in any way affect your loan. It might make it more expensive for other people, but you have already been approved. You have got your money, and there is no way that is going to be changed. That is a contract.

Under the terms of your loan, you are paying 3 percent interest, and under one of the proposals to change the program, the interest rate would be increased to 14 percent.

What that would mean to someone else who was in that position would be an increase in your monthly payment. Instead of the $138 a month to pay back that amount of money, it would take $374 a month to pay it back.

Could you have afforded to borrow that amount of money if you had to pay?

A (Mrs. Wilsey) No way.

A (Mr. Wilsey) No.

Q The net result would have been you would have either moved or sought rental housing?

A (Mrs. Wilsey) It would have been tough.

Q All right. I assume that the program helped you with the rebuilding?

A Yes, because, well, for a time we had no idea from the SBA what we were doing, so we did look at some houses to buy and there was nothing, because prices had skyrocketed, and there was nothing we could afford that would, well, was even decent really to live in or that we would have been able to get a loan on anyway.

Q What do you think would have been the impact on the Grand Island area if the only assistance that had been available would have been at say 14 percent interest?

A We wouldn't be building back as fast as we are. It would have hurt a lot of people, and I don't know what a lot of people would have done.

Q What do you think of the program as a whole? Is it a good program? Could you suggest any changes to make it a better program?

A Well, there is a lot of unnecessary paperwork, it seems, and to be quite honest, every time I dealt with them, I sometimes got totally different answers to the same questions I asked every time I called.

So, I think there could be, you know, people know more of what is going on because it was kind of upsetting to keep getting different answers. To be honest, I felt like I was getting the runaround a lot.

Q But you ultimately prevailed?

A Yes, persistence does pay off. There wasn't much choice. We had to persist. But, you know, in the end, it did help us. It was a good program, but there seemed to be a lot of confusion.

Q Well, unfortunately that tends to happen at times when you get disaster situations like that and you get people involved in working on them that are not that familiar with the program, and it is just unfortunate. It does happen.

A The basic program is good.

Q So, you favor then the 3 percent interest rate for homeowners?

A Yes, I would say no more than 5 because after disaster, it is tough getting back.

Q Did you have an existing mortgage?

A Yes, we did.

Q Did the insurance cover all of that?

A (Mr. Wilsey) Yes.

A (Mrs. Wilsey) It took care of it. It didn't leave us much left over, but it did take care of that.

Q Basically you are back to square one on a home? You are starting all over again essentially?

A Yes.

Q Do you have anything that you would like to add to your statement?

A Well, I think it would help, I know it is hard for people coming in from outside maybe to understand, but I kind of sometimes felt like, well, there wasn't enough sympathy sometimes. It was kind of humiliating some of the things they put us through, and it was, well, after the tornado, it is kind of hard on us because you lose everything, and to take all of that on top of it, it is rough.

Q Could you be a little more specific, please?

A Well, the runarounds we got. Like calling in and being told, well, just hold on and sometimes it would be an hour before I got any answers that even were directed to what I asked.

It is kind of hard to explain, but it just, like I had to go and get papers and stuff that didn't do any good from our -- where we had our loan before. They wanted papers filled out, and they never used them, so I mean, that there is what really made it rough for us, for me personally. It added to already the feelings I had of losing everything and having to start all over again.

Q Okay, Mr. Wilsey?

A (Mr. Wilsey) Well, I can say they were a little slow. They kept changing their minds about the amount of money. We would ask for so much, and they would say, well, you can't have this much and they kept changing their minds and finally the figure of 32 is what they stuck with. First they would say you could have it, well, no you can't have it. You can only have so much because you paid off your other mortgage, and then they finally changed their mind again and said we could have it, and it just seemed like a lot of wasted time, you know. They could have just gone through, you know, that other, and it wouldn't have taken quite so long.

A (Mrs. Wilsey) It was the indecision that was hard, too, not knowing if we were going to or not going to get it.

Q How long did it take you to secure your loan?

A We applied the last ~~year~~ week in June. We didn't get it all until almost around the end of October, almost the first of November when we knew what we were getting.

Q It is a long time, isn't it?

A The indecision was awful. It was a strain, not knowing if we were going to build or what we would have to do.

Q Well, I am not certain, but I, as I recall, part of the problem was probably attributable to the fact that the program ran out of money. I doubt that they told you that, but my recollection of the congressional appropriation process, we just had quite a bit last year, and it took a while for them to enact a supplemental.

A It might have helped if we knew what was going on. Not knowing what is going on is terrible.

Q Hopefully, with the information we received from you and some of the others, we will be able to take care of some of those what should be minor problems without too much difficulty.

A Well, I know how it felt for us, and I would hate to have somebody else go through the stuff. We had the Lord to hang in there and the strength to hang on, and for somebody else it might be frustrating.

MR. POWERS. We appreciate you taking the time to come here.

MRS. WILSEY: Basically, the program is really good, and after a disaster, you need help like that.

MR. WILSEY. Yes.

MR. POWERS. Again, thank you very much.

(Whereupon, at 8:00 p.m. the depositions of Mr. and Mrs. Wilsey concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

I, Fred L. Wilsey, Jr., acknowledge that I have read the foregoing deposition and that it is true and correct.

Fred L. Wilsey Jr.

Fred L. Wilsey, Jr.

I, Theda Wilsey, acknowledge that I have read the foregoing deposition and that it is true and correct.

Theda Wilsey

Theda Wilsey

#15

Dinkel
dmt
8:00

DEPOSITION OF VELMA SHAFER

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

VELMA SHAFER

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A Velma Shafer, 1805 South Curtis, Grand Island, Nebraska.

Q Mrs. Shafer, you had a home that was damaged by the tornado that went through here last year?

A Yes, we did.

Q Would you describe the damage, please?

A Well, the damage was total. There was nothing that was remaining at all.

Q Did you have some insurance on the property?

A Yes, we did.

Q Do you know how much that was?

A No.

Q But you had damage over and above the amount that the insurance covered?

A Yes.

Q And as a result, you applied for an SBA loan and received one for $45,000, is that correct?

A Yes, we did.

Q Have you now completed the reconstruction of your home?

A We are in a different area now.

Q You rebuilt a new home, though?

A Well, we bought a new home that was already constructed.

Q Mrs.Shafer, under the terms of the program that assisted you, your loan was made at three percent interest, repayable in 25 years? Is that correct?

A I know it was three percent interest. I was hospitalized at the time this was taking place. I am not sure of the length of the loan.

Q What was your experience with the program? Do you think it is a good program, a bad program? Should it be changed, left alone?

A As I said, I was hospitalized so my husband took care of all of that. I know he was very pleased with the way everything went. At our age, I don't know what we would have done to have been completely wiped out, all furnishingsand everything and had to start over again if it hadn't been for the SBA.

Q Do you think you could have got a loan through the bank or anything?

A I am sure we could have. Interest rates would have been so that we really couldn't afford to.

As I say, at our age I don't know if we could even.

Q How old are you? Do you mind telling?

A I am 57. But my husband is 62.

Q What do you think the impact would have been on the community if the loans had only been available at, say, for example, 14 or 15 percent interest?

A It would have been really bad.

Q There are people you know of that could not have rebuilt, couldn't have paid that amount?

A Yes, definitely. Probably we would have been one.

Q What do you think about the interest rates? Is three percent a good figure?

A It is fantastic, yes. It was a Godsend for us.

Q Do you favor leaving it right where it is then?

A Yes.

Q Do you think it could be increased? Should it be decreased?

A Well, when you go through an emergency such as everyone around here did, I think anything they can -- any advantage they can have is great.

I think three percent is fine. I wouldn't want to see them raise it under those circumstances, that type of circumstance.

Q Is there anything that you would change about the program if you could?

A As I said, I was hospitalized at the time. My husband took care of it. He had nothing but good to say about the program. He was -- I don't know what he would have done without them because he was upset over the loss of all of our worldly possessions.

Me being in the hospital, and he just couldn't say enough good about the SBA.

Q Good. Is there anything else you would like to add to your statement?

A I don't know of anything. If he was here maybe he would have something else to say, but he is out of town. That is his job,to be out of town. I can't think of anything else.

MR. POWERS: In that case, I appreciate your coming down. We certainly thank you for doing so.

THE WITNESS: Thank you.

(Whereupon, at 8:05 p.m., the deposition of VELMA SHAFER was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, VELMA SHAFER, acknowledge that I have read the foregoing deposition and that it is true and correct.

Velma Shafer

Velma Shafer

#16

Dinkel
dmt

DEPOSITION OF TOM DOLTON

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

TOM DOLTON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A Thomas J. Dolton, D-o-l-t-o-n. Home address or town?

Q Either one. We will get them both.

A 3103 Briarwood Blvd., Grand Island, Nebraska.

Q You and two others are doing business as Sax's Pizza of Grand Island, Inc.?

A Correct.

Q Your pizza parlor sustained damage in the tornado last year?

A Yes, sir.

Q Would you describe the extent of the damage?

A Well, it was a total loss. From the extent of the physical building being destroyed.

Q Completely destroyed the building and contents?

A And contents, both.

Q Did you have some insurance on this?

A I got credit for some insurance is all I received. It was against a purchase price that, as odd as it may seem, we purchased the property Monday night, came to terms and agreement of $75,000, and she had before I had a chance basically to get insurance, the end of the week we would have been all right, but she had $15,000 insurance which she credited us towards the purchase price.

Q This she was the lady you bought it from?

A Mrs. Hazel Schmidt,correct.

Q Over and above the credit that you got on the insurance, you had a loss of some $53,600?

A In that neighborhood, yes.

Q So that you applied for SBA disaster loan assistance then?

A Right. With the help of my accountant. Maybe you should have him down here. I had basically hired him to -- he was a lot more familiar with the forms and procedures of the SBA than I was.

Q Mr. Dolton, under the program that is providing you your loan assistance, you received $53,600 repayable over 20 years at eight and a quarter percent interest, is that correct?

A I think that is the correct figures, yes.

Q That would translate to a repayment of $460 a month?

A Correct.

Q In order to repay it.

Congress is considering some changes in the program and we would like to get your input as to what you think of them. I want to make clear at the outset, however,that we are not talking about changing your loan at all.

This is prospective only and does not apply to people that have already borrowed their money, okay?

A Right.

Q Under the terms of your loan agreement at eight and a quarter percent, you pay back $460 per month. Among the proposals is one to increase the interst rate to 14 percent instead of the eight and a quarter.

This would mean a payment for your loan of $652 a month or an increase of almost $200 a month.

Do you have sufficient cash flow in the business or from other resources that would enable you to make a higher payment like that?

A We don't even know whether we can make this one or not. I mean I -- needless to say, it didn't cover the expenditures that are going through. I would have liked to have had a lot more money than that because it is costing us a lot more money.

Now they are talking about basically what is -- it is called the disaster loan?

Q Yes, sir.

A Are you referring to the entire SBA program when you are asking me this that the Congress is going under, they are going to present that 14 percent for disaster loan victims?

Q That is one of the proposals that is under consideration, yes.

A What would be the advantages?

Q It is simply a budgetary -- wouldn't be an advantage to the disaster victim, obviously, of paying more. It is a matter of -- that is one of the sources that is being looked at to reduce the Federal deficit, and with disaster lending in the last several years running into the billions of dollars per year, I am sure you quickly grasp the amount of money that we are talking about and the difference if we were making these loans at six percent more interest.

A Right. Well, I would like to see them at least establish a uniform interst because there are individuals -- I asked the gentleman that handled my loan, for instance, when it came back, why it was eight and a quarter, why I didn't get a five percent loan like the guy down the street got.

To me it seemed we were in both the same boat. He says I am the one that put the interst rate, suggested it at eight and a quarter. I mean, who really -- instead of the five. Then he goes on to tell me they should straighten that out. That is right. I still got the eight and a quarter. Let's go down three points. It would be a lot more advantageous to me to hav the five percent.

It depends where -- to lock in at 14, you know, is that going to be locked in with, let's say, the lending rate at the time, or the discount rate, or is that just --

Q It would be a fluctuating rate. The 14 is based upon the cost of Federal borrowing, which obviously would go up and down as the cost of Federal borrowing would change.

A I would think that it wouldn't be bad if they would let you -- you know, there again they stipulated the amount that I could borrow under this program. They stipulated the -- you know, I think we applied for a little more than that. They didn't allow a few things. In retrospect, you know, I got basically -- I am about -- that is going to represent about 25 percent of the indebtedness. Before the tornado I owed approximately 40,000. After the tornado, we are going to owe close to $190,000 on that business.

Through the programs available to us that we took advantag of through the University of Nebraska, projections with business, if we just get back our business to level and pluggin in the SBA rates at the time and the rate on the land that I bought and now who knows, I haven't even got a final rate from the bank because of the unknown costs yet.

If everything is the same, there is going to be no money left over other than paying everybody back.

Q So you can meet expenses. You just aren't going to turn a profit is what your present projections indicate?

A Right. If everything -- if we get the business back. We had a good business.

Q Your sales volume is still down, is it?

A We are not open yet, see? I am still -- we haven't got all the money out of the SBA basically, you know, if you are looking for suggestions, I would hope expediency would be at the top of the list instead of -- when it takes a CPA -- and I would consider him a good one, he handled SBA's at the bank, but four and five trips back through the -- you know, not fulfilling all the obligations, one says yes -- I said is that all now, have we covered all the bases?

Two weeks later they are calling me back saying now we want you to go get this.

Then it is this and this. It is just backwards. Now they are asking whether I want to pay 14 percent.

Q No. I want to make it clear we are not talking about you paying the 14.

A But they are talking about the proposal going to 14. I think on today's market it is -- I wouldn't say it is a super deal, but it is better than I am borrowing at now, like two percent, because of the usury law.

Q What do you think of the interest rate as far as you, as a taxpayer, are concerned?

A What do you mean? Which interst rate are we talking about?

Q That really is the question. You as a taxpayer, do you think it is a good use of Federal money to loan out at eight and a quarter percent, for example?

Should the Federal government be charging the same thing, same amount, the same rate that it pays when it borrows money from people?

A On a business sense, strictly without the disaster, I would say it would be a reasonable rate, yes. I don't think they should just for an SBA loan, let's say, without any disasters involved in it --

Q Which is what you have in your situation -- you don't have in your situation?

A No. In my situation I woudl say if they are going to help the public, then I would make it a lesser rate than that, but if I was going in for a straight SBA, I would think the going rate should be where everybody is at, if they can survive on that.

Q What do you think a disaster victim should pay?

A Well, how do I set that rate? I would have liked to have had more money at that rate on today's market. Only because it is a lot -- you can see what interst -- what two, three hundred dollars is going to comepound into. I have to do two or three days more business to pay the extra interest.

Hopefully if everything is in line, that is what we are really coming down to.

Q When do you think you will reopen?

A We are shooting for the fourth of May. That could have been expedited. We didn't get our loan approved until -- I don't know what date there?

Q Looks like November 6th.

A That is six months, isn't it? We did everything right, as fast as we could go. The application was in by the fourth of August. From there on, it was just every other weeks, ten days, this was a new wrinkle in the loan. I couldn't go ahead -- I knew how much we were going to have to come up with to put the business back together.

Q Have you had problems since your loan was approved, or are they disbursing the payments as you ask for them?

A They are slow. I don't think they are -- their method of holding back ten percent of a bill presented is, I think, in this situation they had the plans of the new building and here, they are loaning me $53,000 and I am spending $100-and-some-thousand. To hold that back as we go, and they have already got -- basically covered -- you know, fifty-some-thousand went long ago. They are still having them.

I would like to see them finalize it differently or not put all the money up at one time or to give you enough.

They can see the progress, I would think, through the bills.

Q Where you are right now is you have drawn down all bu about $10,000 of your approval amount?

A Right. I can believe that. I have already borrowed $30,000 from the bank. There is a lot of them that do work. They can't -- after they are done--it is like the tile man. He came by with a bill. He said, "I would like to get some money today." I said, "I can't do anything until I get your bill and thenwe have to send it into Omaha." It is generally two, three weeks, sometimes four weeks, before I get a check back.

They are nice about it, but then the check comes back 10 percent off of it. I owe each one of the subs 10 percent yet.

Q What type of security did SBA ask for on the loan?

A I think they hold first mortgage rights, collateral rights.

Q They took a first on everything?

A They couldn't take a first on a land contract to the land. That was bought on a land contract. Everything else I am sure that they -- in fact, I am not so sure that they didn't make me sign a personal guarantee.

Q I am sure they probably did.

A All three of us.

Q You must have a fairly good relationship with your bank, then, because obviously they are secondary to SBA's security.

A Yes, they are going to cover everything they don't.

Then again, personal guaranteeing it. The three partners.

Q What would have been the effect upon your business if SBA had insisted on 14 percent interest rates?

A At that time?

Q Yes.

A I would have probably passed.

Q You just would not have re-established the business?

A Well, I think that the cost -- you know, averaging things out right now, I probably am still going to be looking at 14 percent on the total overall borrowing. In my business we are not a high profit business. I don't know whether we can make it.

I was basically just starting to take some money out the year before that. I don't think I would go back in, if I had a chance at the time to really wash clean of it, which I did. I mean, the money we owed the bank at the time was covered through the insurance, $29,000 that we got for the equipment. I think I owed the bank at the time $42,000. That was the decision at that time because the land contract, basically, I could have said hey, I am not going to -- we agreed to buy -- it was a verbal contract.

It cost me quite a few points to go ahead at that time. Basically I paid $75,000 for a corner with the physical properties on it. All they are really paying me there was to replace what was there. They are saying it was some $50,000

3 plus the 15. There was a $60,000 structure. The land. I was paying $75,000, which was in an option that we had picked up in March by prepaying our lessor $25,000 cash, which I borrowed at the bank on -- it was like a prepaid rent for six years to get hold of that option. It was at $75,000.

Our rent was going to go up in May. It was just a good -- you know, from $600 to $720, and basically we would be paying him to buy the property. It was just the time.

I had to wait until her son came back from Chicago to exercise the option. That was June 1. He got in town. We sat down that Monday and said we are going to exercise the option and worked out the terms at that time.

If I had been four days later, it would have been a whole different picture. I probably would have been dancing in the streets because I would have been covered. I could -- now, it is just -- I might have paid way too much for it at the time.

Q Is there anything else you would like to add to your statement?

A I mean, for what? Where are we at?

Q Well, as to improvements that you would suggest in the program? Other changes?

A It is kind of funny, but I am a college graduate. It seems to me that -- it was probably lucky for me that a friend of mine is a CPA and didn't charge me the going rate for what some of these people got charged. They are already down. In order to get the lower interest money, I have heard upwards of a $1,000 fee to fill out these loan papers. I am not so sure if my accountant got paid by the hour his going rate that my bill wouldn't have been $1,000 for the time that we spent.

Basically it was rebuilding what was there. I had to duplicate plans in reverse just to come back to get the money. They wanted the old structure, the plans to build the old structure. I had to go out and get bids from contractors that knew we weren't going to build the same structure. It wasn't just me. I have heard a number of contractors. There again, most of them were associates.

I am from Grand Island for 30 years. I would hate to have been -- there is a lot that said hey, you are not going to build the building, why should we spend ourtime building a building to satisfy the SBA? So then we went through that.

Then we come back. Now we have to build the new building. So I would say there is a suggestion -- the red tape, basically.

Q The basic reason that they required you to go out and get your old plans is the fact that the loans are limited to the amount necessary to replace what you lost.

A Right.

Q If you want to come up with other funds, you can make improvements.

A Right. I mean, that is a good point, except the place the way it was was basically not built for our type of business. It was a grocery store converted into the pizza parlor. You would have had to be a complete idiot to rebuild it that way. It wasn't even -- they wouldn't have liked to have seen us do that because they wouldn't be protecting their money. The bank wouldn't have loaned me money to go back in there and do that, I don't think.

Q Do you have any idea as to how SBA can limit the amount of the loan to what you lost without putting you through the bidding procedure that they made you go through?

A I don't know. I guess to be -- what they are trying to do is make things fair because I am sure there is a lot of them out there that would take some advantage of -- if you didn't do that, just set the limit at anything. I don't really know how to do that unless they allow you -- I think it would be better if out of such monies you could pay basically for people to bid jobs honestly and get paid -- reimbursed for their time. I think you get a more accurate reflection of it instead of --

Q What would you have them bid on, though? The new work that you are wanting to do?

A No. I mean, in order to get them to bid it, that was -- sometimes they said why should they spend their time bidding something -- I am not a contractor. You are putting not just through the -- the person applying for the loan, but let's say ten other businesses in the hopes to get to bid the new work.

A lot of that stuff stopped right there. They didn't go on, didn't get enough money.

Q How many estimates did they ask you to get?

A I think a couple for -- no, I don't think so. Not a couple from each one, but each phase of the business, you know, electrical, plumbing, structural, interior, equipment. So there is probably say seven, eight different firms that were involved in looking up stuff that was there, that wasn't there, and you are not going to replace it anyway.

So, they are doing you a favor basically, but you spent a lot of your time, plus I would hope next time that one person would handle my account. You know, I think we got ping-ponged five, six different people over the six months. Then it goes to Omaha.

God, I don't know what is happening there. It goes from Omaha to Denver. Checks are cut out of Denver. I think that would help immensely if whoever is handling your account would handle you from start to finish. I don't know the interoffice procedures, but it would seem to me I answered the same questions quite a few times. It was like regurgitating for the fourth, fifth time. It got a little disturbing, or whatever.

Q Anything else you would like to add?

A I would like some more money.

Q But at the low interest rate?

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A I would take it at the 14.

No, getting back to that, I think that would be for disaster. It is kind of funny. I have heard some people, the tornado was bad, but the real disaster is the SBA, just some of the things that are going around. You see, some of the people that didn't need the help got it, and I have heard about loans that went out to people at 3 percent, loans for homes and stuff, and they were covered by insurance. I don't know how they got some of the loans.

Q It should have only been for the difference between the insurance and the actual damage?

A That is correct.

Q I won't swear that that happened in every case.

A I was more upset basically in our instance that they were two different types, the 5 percent and the 8 percent. I would have like to have had the 5. When an individual tells you on the phone that he is the one that decides, he just says, "Well, you guys look like you can go out and borrow that kind of money," and that doesn't seem quite right to me, you know.

What information does he gather this from, from a financial statement?

Q I would assume that he looked at the personal financial statements that you and your two partners supplied.

A Right.

Q And attempted to determine whether or not he thought you were bankable and concluded that you were, he put you in at the 8-1/4 rate.

Do you disagree with his conclusion that you were bankable or is it you would much rather have had the 5 percent?

A I would like someone to come back in five years and see where I am at. Financial statements, basically I was carrying that and the $3,000 net. At this time I am $180,000 down, and thank God, if we couldn't have bought the land on land contract, see, we had already basically established to buy it, but that interest rate went from a six point difference by the time we got through with that in August.

I had a pretty sweet deal the night before. That went up in the air, and so I don't know where, you know, they said I went from a plus 30 to a minus 180, and he can look at my financial statement today, and that has got to reflect that.

I went from having something to the right to go in debt, and because I took care of my credit over the years, basically I am paying for it.

Q You are paying a premium for being a good credit risk?

A Hopefully we can make it. I have been in the same business down the road and lost my shirt, so I hope that -- I am gambling.

Q Well, I hope everything works out all right for you.

A Well, I do, too.

I don't know what else, what else you would like me to say, not like me to say?

Q I think we have pretty well covered everything.

A These are just disaster loans that we are now talking about, the 14 percent, not your regular SBA loans.

Q Do you have any experience with the regular loan program?

A I wouldn't go through it, unless it was the last straw, plus banks, you know, they don't like getting into them.

My bank, where I was at, I don't think they like hassling with it. It is the impression I get.

Q Well, it is a real problem on any type of government loan program, trying to balance out, so that you have got enough information so that you are not drawing criticism for misusing government money. On the other hand, if you make the program so burdensome that people don't understand it and can't comply --

A I would say the biggest thing is at least let the layman be able to, you know, halfway understand what the hell he is getting into, and it is tough, you know. Like I said, I would like to basically hire him because I probably would have spent days figuring it out.

Some of them that went in blind, they are lost, and there are people around that you know, specialists in SBA loans because there are a lot of accountants and bankers that stumble through that. You get a pack of paper like that and they pretty well hash you over the coals until you are done. It is too bad that they have made the loans that you have to be educated in order to borrow from them. I don't think that was the intent of them. It was mostly to help the guy, small business.

Q You are right there.

A Some of them, they get hooked up with accountants or attorneys or whatever will fill out those forms, and it is like anything else, if they feel that there is no--I guess, maybe it would be kind of nice to have a fee set or an offset set up by the SBA that would help you fill out the forms for a fee, a reasonable fee, not a $1,000 or $900, and I have heard that.

Through my accountant, because he does our books, and he says, well--plus he is a friend. He is telling me some things probably that the general public doesn't know about, and Joe thinks he is getting a hell of a deal because Joe doesn't even understand the first three pages of what is going on, so how does he know that $900 isn't a good deal if he is getting $60,000 from the government when it is done and he has no idea how he got there.

I am not so sure I do because I didn't fill those out. I answered all the questions and did the running, and I know how many problems we had, you know, and I talked to the guys over there and went through it a couple of times because I couldn't afford to pay him to do all of those things.

Q Well, hopefully we will be able to make some of the improvements in the program.

A But the interest rate seems fair. I don't think people are looking for the break, so much as the 8 percent. Well, I think it would be grossly unfair to, you know, burden somebody in a catastrophe. If they do qualify for something, it should be a hell of a deal.

If I go in for a SBA loan at the bank, I would expect to pay. I don't expect the government other than maybe give you the opportunity that a banker wouldn't give you, they should be reimbursed at the going financial rate.

Q Right now they are, and they are running 19 percent, bank guaranteed loans.

A Which is high. In fact, that is higher than the running rate, isn't it, if you can borrow at the bank?

Q It depends on the community, really. You get in the Midwest and some of the more rural areas, the interest rates are down considerably from the major metropolitan areas.

A There again, you know, maybe you can answer my question.

Why is that? Why is there such a fluctuation, especially in the bank. It is a 90 percent guaranteed loan.

Q Maximum 90 percent?

A Basically the bank is really only exposing 10 percent of the face amount of that loan.

Q That is right.

A Are they secondary to the government? In that case, are they subordinate to the SBA's mortgage?

Q The bank takes all of the security and sustains the first 90 percent loss, in which case the balance belongs to SBA, so in the event of a default on a bank guaranteed loan, the bank gets 90 percent of their money back, but SBA takes all of the security.

So, depending upon what the sale of the security is, the bank may or may not recover any of the 10 percent exposure that they have.

A Which is pretty safe because usually they don't loan you 100 percent anyway.

MR. POWERS: I appreciate your coming down, Mr. Dolton.

(Whereupon, at 9:05 p.m. the deposition of Mr. Dolton was completed.)

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ACKNOWLEDGEMENT OF WITNESS

I, Tom Dolton, acknowledge that I have read the foregoing deposition and that it is true and correct.

Tom Dolton

TOM DOLTON

17

Bradfield
dmt
9:10 p.m.

DEPOSITION OF SHERIDAN TRACY ANDERSON

Monday, April 20, 1981

GRAND ISLAND, NEBRASKA

- - -

SHERIDAN TRACY ANDERSON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q State your name and address for the record, please.

A Sheridan T. Anderson, 4503 Quail, Q-u-a-i-l, Lane, Grand Island.

Q What is your occupation?

A Physician.

Q Did you have some property that sustained damage in a tornado that came through last year?

A Yes, I did.

Q Describe it briefly.

A A group of apartments, fourplexes and sixplex, 24 units total.

Q The property is here in Grand Island?

A Yes.

Q You had some insurance on it?

A Yes.

Q And in addition to the insurance payments, you applied for and received an SBA loan of $41,200?

A No, that is not right.

Q Sorry, that was reduced down to $27,000?

A Right.

Q What happened on the reduction of the $14,000?

A One man looked at it and said 41, and he went back home and another man came out and said it was 27.

Q All right, and you have received the $27,000?

A Yes.

Q Have the apartments been put back into service?

A Yes, just about.

Q All right.

A I am not sure they have all been rented yet, but they are all reconstructed.

Q Is that correct that you had one hundred and fifty-five and a half thousand dollars on insurance on these?

A Yes.

Q So really major damage tore these up?

A Well, yes. It is actually, the roofs were peeled off, but then it rained and all the windows were broken so all the carpets have to come out because of the glass. All of the second story paneling comes out and all the insulation and all the electrical and everything repainted and new roofs [illegible] on, so you sort of have to do the whole inside even though the walls and the floors were intact.

Q What difference did the SBA loan make to you personally? Is there work that could not have been done? Could you have borrowed it from a bank or would you or what is the situation?

A I would have had to.

I didn't have loss of income charts, and they were completely down for six months, and so that money had to come from somewhere and I would have had to go to the bank and I could have.

Q What do these apartments rent for? What type of monthly rental?

A Oh, it varies. The one bedrooms, I believe, are about $205 and the two bedrooms are about $230.

Q Is your rental based upon your cost of operation or is it market rate?

A Market rate. It is not the market rate, but it is based on market rate.

Q Do you feel you are at or below or above?

A I try to stay below so I keep them full.

Q If you would have had to borrow the money from the bank at say 14, 15 percent, or whatever the going rate is here, would that have resulted in a rate increase to your tenants, do you think?

A It depends on what the rate would have been. I don't know what it would have cost per month, but I had to have a rate increase anyway because of this loan.

That may not be true. I put in the same rate that I was going to anyway, with or without the damage.

Q What do you think of SBA's disaster program?

A It is a good idea as an idea.

Q How do you feel as a taxpayer about using SBA money to make loans eight and a quarter percent?

A Well, I think it is a good idea. If it wasn't for that, there would have been nothing, no help of any kind.

Q You mean for other borrowers?

A For anybody that had any disaster problems in town. As far as I knew, that was the only help anybody got.

Q It would have been relegated in essence to going to the bank and paying market rate?

A Well, true, but I am talking about getting some kind of assistance. Most of the people I talked to, that was the only assistance available.

Q What do you think would have happened to the community if the only assistance that would have been available would have been at 14, 15 percent interest? Would the community have rebuilt?

A I think so.

Q Just taken longer to do it?

A No, just pay the price. If it is your business that goes down, you have got to rebuild. Whatever it costs to do it, you do it.

Q Do you have any suggestions for changes in the program?

A Efficiency. It took me seven months to get the loan through and I could have done it downtown in about four days probably.

Q As far as the program itself, is that in good form?

A Well --

Q Do you think the eight and a quarter percent is a fair interst rate for you to pay?

A Well, things change so fast, it is hard, everything gets out of hand so fast. I am used to paying four percent for cars back in the old days. I have a house at 7 percent and different apartments at 7 percent and all of a sudden, things are 14 and 15; but based on what is happening in the general marketplace, if you get anything for half rate, why, that is probably fair.

Q Okay, do you have anything you would like to add to your statement?

A Oh, other than I would like to see some sort of real disaster help.

Like I say, other than being able to borrow some money at a little lower rate, I didn't see any kind of help for anybody that I knew. It probably would have been easier if ~~we got it~~ WOULD HAVE been foreign country, ~~to~~ ~~give~~ get some help.

Q What would you consider to be real help?

A Well, it depends on the problem. It is hard to be specific.

Q I mean are you in favor of lower interest rates on disaster loans, or are you indicating there should be grants made?

A Well, I would like to see some grants maybe or some other kind of help, lower rates.

The way the economy is going, it is hard enough if you don't have to borrow extra money. I didn't really relish an extra $27,000 loan on top of all of this. I had insurance, but it still cost me $50,000 in this disaster.

Q Over and above your insurance?

A Yes, and I was adequately insured, but just like I say, just the fact that I get a loan at 8 percent instead of 14, that is some help, but it is not much. In the long run it is going to amount to a few dollars, but today I still got to have a loan.

Q Still got to be repaid?

A Yes.

Q Okay.

A That is what I gained out of it. I got a 6 percent, approximately 6 percent, approximately 6, 7 percent reduction in the loan rate, but I didn't want to take it out in the first place, so that is a help, but you know, it doesn't amount to much actually.

Q I appreciate your taking the time to come down here this evening.

(Whereupon, at 9:20 p.m., the deposition of SHERIDAN TRACY ANDERSON was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, SHERIDAN TRACY ANDERSON, acknowledge that I have read the foregoing deposition and that it is true and correct.

Sheridan Anderson

Sheridan Tracy Anderson

#18

9:45 a.m.
Dinkel
dmt

DEPOSITIONS OF MR. AND MRS. DALE D. MILLEF

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

MRS. CHARLOTTE MILLER
MR. DALE D. MILLER

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Miller, I want to thank you on behalf of the committee for agreeing to come this morning and give us your statement about your experience in the disaster and relating this experience to some of the proposed changes in law which we see.

I want to again state, as I believe you have been told, that your statement here today will in no way affect the loan that you now have with the Small Business Administration.

We simply seek your opinion as to the disaster assistance you have received and what you think of these proposed changes.

If you would again give us your name and address for the record?

A (Mr. Miller.) Dale Miller, 2416 North Taylor, Grand Island, Nebraska.

Q Let me say at the outset the questions will be addressed to both of you, so please either one feel free to speak at any time. We are looking for your opinions and don't feel constrained by any questions I may ask that may seem to be directed to one and not the other.

Your home was damaged approximately what percent?

A A hundred per cent.

Q It was a total destruction?

A Yes.

Q You had some insurance coverage on your property?

A Yes.

Q After insurance, you received a loan from the Small Business Administration for $27,400, is that correct?

A Yes.

Q At this time your payments on that loan are $154 a month for a period of 20 years?

A Is it 20 or 25?

A (Mrs. Miller) Twenty.

A (Mr. Miller) Twenty.

Q Twenty years, fine.

What was your experience with the Small Business Administration in obtaining your loan after the disaster?

A Well --

Q Were you satisfied with the program? Did you find it helpful?

A Definitely helpful.

Q A good expenditure of the taxpayers' money is really what I am getting at?

A I thought it was a good plan. We and a lot of other people would have been in trouble without it.

Q Yes, sir. I understand.

A I am sure of that.

Q The interest rate on your loan is three percent which again, of course, will not change. I wonder what you might think of a proposal to increase that interest rate on the loan for a borrower in a future disaster who might see his payments go from -- in your situation, for instance -- $154 a month to $333 a month for the same loan?

A Well, I think that is -- anybody can answer that question, really. I definitely would be against it. We cannot afford $333 a month payments. What is the sense of having that disaster help if you are going to charge that kind of interest?

Q You would state that in your community if the loans were available at 14 percent this would be a hardship to you and others in your situation?

A Definitely.

Q To say nothing of the assistance not being available from the government at all, that would be even a further step?

A That wouldn't be much help as far as I am concerned if you are going to charge 14 percent interest. I don't know what the interest rate is now, 16, 18 percent?

Q No, sir.

A It still would be some help. That wouldn't be no big deal really. What I am saying is three percent would definitely -- that is a big help.

Q Let me ask you another question.

Do you favor having a loan available for 100 percent of your loss as opposed to, let's say, 50 percent or a lesser percentage? Would that have worked a hardship on you? In other words, if the loan had been for $27,000 in damage and you were told that you could only get, for instance, half of that amount, or $14,000, and you really couldn't get a loan for a hundred percent of your damage, what would you think of a situation like that? Would that also have been a difficulty for you to try to come up with some financing from another part?

A (Mrs. Miller) Could I put it this way? We were offered $37,500 -- was it-- and we just took the twenty-seven, four.

A (Mr. Miller) It depends --

Q Because of the difficulty you might have encountered trying to pay back the higher amount? I understand.

A (Mrs. Miller) I think it depends how much insurance you were covered with too.

A (Mr. Miller) It depends really how well you were covered before. If we had been covered poorly, we weren't covered the best but we were covered fairly well, you know. If we hadn't had much insurance, of course, there would have been -- we would have wanted all the help we could get.

Q Is there anything else that I might not have covered with you that you would like to state about either the diaster assistance you have received, or any proposals to make disaster assistance available only at higher rates of interest than you received on your loan?

In other words, I want to make sure if there is anything you want to say to the committee, that you be given an opportunity to place it on the record.

A Well, not really. I don't know. I suppose all you guys do is loan, isn't it?

You don't have anything to do with the rest of the people -

Q No, sir. We are here to discuss the loans.

A All the help that we had, the people were real nice.

Q That is good.

A (Mrs. Miller) Very nice.

A (Mr. Miller) I don't mean just nice at the SBA, but the one that moved the trailer in and everything.

Q Yes, sir.

A They were all very helpful. As far as this loan is concerned, I would definitely be against that 14 percent.

That would be very little help as far as I am concerned.

You know, you are going to have to borrow in the thousands of dollars -- most everybody would, if you are going to have any help. Fourteen percent, the payments would be clear out of this world almost.

A (Mrs. Miller) I think, you know, when a person is in a disaster, you are already having enough problems to start with, and then to have your payments triple, there's lots and lots of people that just could not rebuild at all, and, you know, you have to take into consideration too your taxes are going to raise because you are rebuilding, you know, or fixing up. It all comes down to that penny that is so hard to come by.

Q Absolutely.

MR. GRANT: Thank you both so very much again for coming.

(Whereupon, at 10:00 a.m., the deposition of Mr. and Mrs. Dale D. Miller was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Charlotte and Dale Miller, acknowledge that we have read the foregoing deposition and that it is true and correct.

Charlotte Miller
Charlotte Miller

Dale D. Miller
Dale D. Miller

- - -

19

Carol/gay
10:10 am

DEPOSITION OF JERRY DUERING

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

JERRY DUERING

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Duering, let me thank you for coming to give us your statement this morning on behalf of the committee.

I want you to be sure you understand that any statements that you give today are to assist us in reporting to the committee the opinion of disaster loan recipients as to the disaster assistance they received in the recent tornado here in Grand Island and your views as to certain proposals to change this assistance.

You do understand that your statement here today will in no way affect your loan to change the interest rates or the terms or any of the features of the assistance you are now receiving.

State for us your name and your business relationship with Bartz Floral and Nursery Company.

A Jerry Duering, owner and operator of Bartz Floral Nursery Company on South Locust Street.

I guess I am a vice president, if that is what you wanted.

Q As a result of the recent disaster here in Grand Island, you applied to the Small Business Administration for a disaster loan for what purposes?

A To rebuild the business and keep it going, to get my livelihood going, I guess.

Q Your loan proceeds covered what damage?

A Well, what the insurance didn't cover, like I had to have a new vehicle, new coolers, all the display equipment, all the inventory, cash register, typewriters, desks, the whole system, the whole company.

Q With the exception of the building, which was?

A The building belonged to my mother-in-law, which she got another loan for to rebuild the building, and I took out the loan on the inventory and so on.

Q Yes. After insurance coverage, your uninsured damage was approximately $28,000?

A Right, $28,000.

Q And for that amount you received a loan from the Small Business Administration at 5 percent.

A Right.

Q On that loan, you are now paying $191 per month over a period of 20 years?

A Right.

Q One of the proposals that will be considered is one which would raise the interest rate on such a loan as high as approximately 14 percent.

To state it another way, your monthly payments would go from $191 per month to $347. What would you think of such a proposal?

A I wouldn't know why. If they would have told me that, I could have got it cheaper. Are they going to raise this?

Q No. Again, we are speaking in hypotheticals. If they raise this, if another disaster occurs, for instance in Kansas, people there might face having to pay 14 percent to get their business back on its feet, as you did, and we would just like to have your views as to what that might have done to you and others similarly situated in business if they face that sort of a disaster lending situation as opposed to the assistance you received, so, in other words, I am speaking hypothetically.

A I really don't know how to answer that because they come in, if I tell a man I would sell him a rose for $1, I don't come back after he bought it and tell him it is going to be $1.50. That is my view on it. That is the way I feel about it.

Q It is not a question of making it retroactive. It is a question of if it had been 14 percent instead of 5 percent, what sort of difficulty would you have faced in getting back into business? Would you possibly have decided to move your business elsewhere and not face rebuilding or would it have been a hardship to you and others similarly situated who did receive a loan at 5 percent?

A I could have afforded the 14 percent. I am not going to up and move the buisness. It has been in town for 50 years. I would have rebuilt at that 14 percent, or look for other money somewhere else, other than maybe SBA or went to a private individual or something. 14 percent, the increase in payments would have been the only difference. It wouldn't have affected me.

Q Mr. Duering, I would next like to ask you another hypothetical situation about what you would think if a loan available to you were to be limited to 60 percent of your insured loss; in other words, it wouldn't be available to 100 percent of your loss, but were limited only to 60 percent.

What would you think of such a proposal?

Brad.
dt

Q How would that strike your business?

A It meant I would have probably gone down and borrowed the other 40 percent from the bank and bought everything I needed to reopen again. Is that is all they were to allow, you know, it wouldn't have affected me, well, I would have taken the 60 percent and went ahead and got the other 40 somewhere else.

Like I say, it is a 50-year-old business and I am not just going to let her go, but I don't think, I probably would have went ahead with the SBAloan and looked elsewhere.

Q Is there anything that you would like to state for the record regarding the disaster assistance that was available to you and which you received,or in regard to any of those proposals, I think we have covered them, but I want to make sure you have a chance to express to the committee anything on the record that you so desire.

A You mean like the way they handled the loans?

Q Yes.

A I would say they should leave somebody in town with the records that knows what is going on instead of having us call Omaha talking to somebody up there that doesn't know what happened, what situation we are in and try to work over the telephone because I spent an hour on the phone once talking to Steve in Omaha and they had our file in the paid file.

I haven't even gotten my last check yet.

They should leave somebody right in the area with the knowledge of what is going on, you know.

Q I understand.

A Because it is quite a hassle trying to operate 160 miles from home over the telephone, but, as far as paper work and stuff, I think they are fairly successful on that but it was, you went around the long way to get to the short cut.

I done three things. When the loan first started they should have said, keep all receipts that you paid for. They said, "Make a list of everything you lost" and that would be covered by SBA so I am setting here trying to go drawer by drawer, cabinet by cabinet, trying to figure out, and after I got all this done it was a six-page stack of paper, list and itemize what you thought it would cost to replace it and how old it was and it come down to the fact that they were only going to pay on certain items anyway and they didn't tell me this.

I spent a lot of time getting prices of cars, coolers and stuff like this that I wouldn't have had to have done. They should get that clarified when they first go in and not change their minds half way through the river.

Q I am sure that is a good statement.

A Other than that, it was handled, I would say, successfully.

MR. GRANT: Thank you, sir.

(Whereupon, at 10:20 a.m., the deposition of JERRY DUERING was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, JERRY DUERING, acknowledge that I have read the foregoing deposition and that it is true and correct.

Jerry Duering

Jerry Duering

- - -

#20

Dennis/gay
10:25am

DEPOSITION OF ELDON MASTEN

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

ELDON MASTEN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Masten, we would like to thank you on behalf of the committee for agreeing to come in this morning and give us your statement. I believe you have been told, but I want to make sure that you understand, that your statement this morning will in no way affect the loan you have now from the Small Business Administration. That is a past matter of contract between you and the government. This will in no way, by asking your opinions on the assistance you have received and on any assistance changes which Congress is now considering and may take place in the future, have an effect on your business or your loan.

If you will state for the record your name and your name of business and address.

A It is Eldon E. Masten, doing business as Dad's Liquor, 1404 South Locust, Grand Island, Nebraska.

Q Mr. Masten, how many employees do you have?

A Actually, I have one. My son has come back. I lost my wife in February. He and his family are going to move back and help me operate the store.

Q In the recent disaster here at Grand Island, what percentage of loss did you experience at Dad's Liquor?

A In the business, it was total, and I had about $45,000 damage to the house over in the next block. The bank -- I had a note at the bank. They called it due the 5th of June, which took my insurance money from the store because I had bought it with used equipment, an old building and all.

We have always been told we never have tornados in Grand Island, and you don't insure for replacement value. That was my problem.

Q So you had an uninsured loss of approximately -- in excess of insurance -- of approximately $57,600?

A Yes.

Q For that amount, you received a loan from the Small Business Administration at 5 percent for a term of 20 years, is that correct?

A Yes. I believe -- I am not sure about the length of time. The percentage rate and the amount was right.

Q That loan results in your paying approximately $324 a month at this time?

A Yes.

D.
dmt

Q One of the proposals now before Congress is to increase the interest rate on a disaster loan to a business to a rate of 14 percent.

In your case, applying that against your loan, substituting the 14 for the five percent would result in a monthly payment of approximately $700. What would you think about such a proposal that might take place sometime in the future, not affecting you, but other businessmen similarly situated in a disaster?

A I think the best way I can answer that is to say I would not have gone back into business had that been in effect at the time. The net in retail stores around here, not bars, but retail package stores, is not high enough to pay that kind of interest.

That is the reason you still see so many vacant spots around here. You just can't get it back out of the business.

Q So it would just make it, in other words, that much more difficult for the small business people in the country to re-establish some -- as you say, you might not have -- re-establish at all; others might think of moving to a safer, if you will, location before they re-establish a business?

A Yes.

Q I ask you again another hypothetical about a proposal to limit disaster assistance available to businesses to only 60 percent of uninsured loss and forcing a business to somehow come up with the other 40 percent or not be able to re-establis itself.

What would you think of a proposal to make a loan available for only that 60 percent as far as restarting your business?

A Well, it would put a little bind in my particular case, it would have, but I really think that this might not be too bad an idea.

No place else can you go and get a hundred percent loan. You go to buy a car, they want you to have some of your own equity in it. You go to buy a house, they want you to have an equity in it. Even though this is a disaster, I believe that this would be a reasonable -- whether that is the exact percentage breakdown, but to have some of your own money wouldn't hurt a bit, I don't think. I think that would be just good business.

Q You mentioned you also had a damaged home as a resul of the tornado?

A Yes.

Q This put you in the position that many would find themselves in after a disaster. They also had uninsured loss to a home and a business.

From your view of the disaster in your community, is there anything you would like to state for the record to say to the committee as far as disaster assistance you received fro

SBA or any further thoughts you might have about some of these proposed changes? We would be glad to have your views.

A Well, basically the only thing I would like to state is the fact that all of the personnel that were here on the staffs or on assignment, those people from Omaha have been tremendously helpful in getting things done.

I have been active in a neighborhood committee. See, my business and my store are only about a block and a half apart.

I have heard from some of the neighbors that they thought the filing deadline was cut off too soon. I know that they were told differently at the start because I first went through it when they had a temporary office out at the Central Catholic. That was one thing that the personnel out there made real sure.

I didn't know whether the landlord was going to rebuild this building back for me. They told me to get an application in; if I didn't need the money, there was nothing lost, if I did,I had the application in.

That is the way I pursued it from there on and the association with those people has been real good as far as I am concerned.

MR. GRANT: Fine. Again, on behalf of the committee, thank you so much.

(Whereupon, at 10:35 a.m., the deposition of ELDON MASTEN was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Eldon Masten, acknowledge that I have read the foregoing deposition and that it is true and correct.

Eldon E. Masten

ELDON MASTEN

#21

Carol/gay
10:45 am

DEPOSITION OF GALEN MOON

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

GALEN MOON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Moon, again let me thank you for agreeing to share with the committee your views on the recent disaster in Grand Island.

I believe you have been told, but I want to reiterate and make sure you understand, that your views as to the disaster assistance you received, and in light of that certain proposals pending in Congress in no way affects your loan or any subsequent payments or any subsequent questions you might have in regard to that loan.

We are speaking hypothetically, and we seek your views on certain future events. If you would again, please, state for the record your name, your business, its location, and your position with the company.

A Okay. I am Galen L. Moon, G-A-L-E-N. I am president of Moon's Pontiac-Honda. Well, really, it should be M and W Auto Company, Inc., doing business as Moon's Pontiac-Honda, on 3036 South Locust Street, Grand Island, Nebraska. I and my wife own all of the stock in the M and W Auto Company.

Q How many employees do you have?

A 28.

Q What type of loss did you have and what was the percentage of the destruction?

A I believe the total figure was $1,200,000, and I had about $1 million in insurance, which they told me afterwards--there is about 80 percent which is about normal.

I found things that I didn't have insured that I added to the lot and so on, and I never called my insurance man and never dreamed we would have a complete wipeout. All we really had left was the structure, the framework. All the equipment, all the cars, all the furniture, everything was destroyed.

Q And as a result of uninsured loss, you sought and received from the Small Business Administration a loan for I believe $137,900 over a period of 18 years at 5 percent interest. Is that correct?

A That is correct.

Q That results in payments of approximately $981 per month?

A Yes, that is correct.

Q I would like your views, Mr. Moon, on one of the options or changes, I should say, being considered in disaster relief assistance, and that would be to make loans to small businessmen at a rate of 14 percent.

In your situation, we have calculated that this would result in a monthly payment of approximately $1,714. What would that do to your position as a businessman? How would that impact on your ability to get back on your feet in business and restart, your initial cash flow in those early months, et cetera?

A I think I would have had a real tough time of surviving if it hadn't been for the SBA loan.

I think it would have put my cash flow in such jeopardy to try to borrow that much money at a higher rate, that my financial picture would have been bad enough that I think the local lending institutions who buy my financial contracts on cars and so on would not have felt that I was solvent.

I think they would have been quite concerned about whether or not I could guarantee a contract on a car, new or used.

Q I don't know how many other car dealers might have been affected here.

Would you, based on your knowledge of the dealerships in the community, if similarly damaged, would they have encountered the same difficulty with their banks and with their restarting?

A I am sure we would have.

I think that I only was able to eke through because of the fact that I had over a period of 40 years, the wife and I, with both of our incomes, she being a registered nurse, had put all of her money into this garage venture, and we had only taken three vacations in 35 years.

If I hadn't done that, I probably wouldn't even have been able to survive.

When I first looked at it, I wondered if this was the end of 40 years' work, and because of SBA coming through with this, it changed the picture and we have been able to survive and recover.

Brad.
dmt.

Q Let me add another aspect to the loan for your uninsured loss. What if that loan were available at a 14 percent rate, but only available for 60 percent of the damage sustained, that additional impact, how would you calculate that?

A I doubt that my cash flow would have been able to withstood it.

I think Pontiac would have considered me to be an insolvent dealer and so would have Honda. Probably the place would have had to be sold and there wouldn't have been much to sell with that kind of indebtedness against it, you know.

Q Did the tornado hit your residence here also?

A No, I was just on the very outskirts. We had maybe $500 worth of damage to the residence, that's all. Some of the people lost both their homes and their business. I don't know how they handled it.

One of the residents, Mr. Phillipi, did lose both. I don't know his financial structure.

Q If you had had difficulty in retstarting your business, based on a loan that would have been at a higher interest rate for a smaller percent of the loss that you sustained, what effect do you think that would have had on your employees; what effect would that have had on their future employment with your company?

A I would have lost a set of employees that I have been seven years putting together. If I hadn't really felt that this thing was going to be handled financially for me so that I could keep this crew together, I may not have ever been able to put together that kind of a set of employees again.

They are all excellent employees. They all worked right through the clean-up and everything for me and this is somethin that doesn't happen for me very often.

They stood watch around the clock; we never lost a battery out of the car. There was no looting because those people took turns standing watch at night.

That means I got a tremendous set of employees and I am very grateful to them.

Q Well, let me end simply by saying we would be pleased to transmit to the committee your views on the disaster assistance from the Small Business Administration or any comments you might want to make on those proposals or further comments, I should say, on these disaster proposals, or any statements for the record.

In other words, I want you to feel that you have the opportunity to speak further, if you so desire, but we appreciate having your statement at this point.

A Well, I could probably, I would like to say I think I owe a great deal to SBA for giving me the confidence that I could keep the thing put together, and keep my employees together, and keep the business together, and we have always been a good dealership. We have a good following, and I just feel that if it hadn't been for SBA and this kind of a loan that probably the thing would have went down the tube and my 40 years of work would have been gone.

I since have acquired enough more insurance if the June 3rd reoccurs I am not going to be in the kind of shape I was last year and I don't know whether that business can afford that much insurance or not.

They say it is pretty tough to insure one hundred percent but I am a lot closer to it now than I was last year, June 3rd.

Q Without putting words in your mouth, you do endorse the expenditure of taxpayers' money on a program such as you received here in Grand Island?

A I would endorse it especially for a business that has that many families' livelihoodsat stake. If it were a one or two-man operation, then I am not going to sit in judgment on that, but a business that has 28 employees, I think that if the Federal government is going to subsidize or help anything, I think that they surely should be able to help the small businessman that has 20 ot 30 employees, when he has a complete disaster like this.

(Whereupon, at 10:55 a.m., the deposition of GALEN MOON was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Galen Moon, acknowledge that I have read the foregoing deposition and that it is true and correct.

Galen L Moon

GALEN MOON

#22

Dinkel
dmt
11:05 a.m.

DEPOSITION OF BERNARD SHOVLAIN

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

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BERNARD SHOVLAIN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Again, Mr. Shovlain, on behalf of the committee, I would like to thank you for coming to give us your views on disaster assistance. I want to again make sure you understand that your statements here today in no way affect your loan from the Small Business Administration.

We simply solicit your views on the disaster assistance you received and on several hypothetical questions we would pose regarding changes in that type of assistance to small businesses, to get your opinion as to what a small businessman, having gone through a disaster, would face as a result of these changes and what others in similar situations might expect in your opinion.

If you would again, please, state for the record your name, business name, address, and your position with your company?

A Bernard Shovlain, Shovlain's Drive-In. I am the owner.

Q That is at 703 West Hagge?

A No. 1903 South Locust is the business. That is my address, my home address, 703 Hagge.

Q Mr. Shovlain, do you have a number of employees at your business?

A Yes, between 35 and 40.

Q What type of loss did you sustain as a result of the recent tornado here in Grand Island?

A My building and some equipment.

Q What percentage loss did you sustain?

A That is a hard question.

Q It wasn't a hundred percent?

A No.

Q Not a total loss?

A No.

Q Just your best estimate as to what percentage of your business was actually destroyed or damaged?

A Let me put it this way: We did finish the season operating, and it took us a few weeks before we got the electricity, but the building was shook up and twisted up and the carports were completely gone, but what percent?

Q Well, in any event, let me say it this way. You sustained and applied for $144,000 in damage assistance from the Small Business Administration?

A Yes.

Q Which loan you did receive at an interest rate of eight and a quarter percent per month for a period of 20 years, I believe, is that correct?

A Yes.

Q On your loan from SBA, your current monthly payments are approximately $1242?

A That is close, yes.

Q The first hypothetical I would like to pose is that if that monthly payment were to be changed to a higher rate of interest - let's take, for example, 14 percent -- that would result in a monthly payment of $1,759. What sort of difficulty would you experience at your business paying that higher rate of interest?

A We discussed it. If I had to pay that high a rate of interest, I don't think I would have rebuilt. It is just borderline, but eight and a quarter, it was so much better. I just don't know if we would have rebuilt if we had to pay 14 percent interest.

Q What would have been your recourse had no money been available under the SBA program to you as a businessman here as a result of the recent tornado?

A I would have been on Skid Row. I thought of that. It just scares me. If I had not gotten the money, I wouldn't have been able to proceed and rebuild.

Q As a result of your experience in the disaster, do you have knowledge of other businessmen similarly situated who you believe would state the same as you do in regard to money at significantly higher interest rates or no money being available from the Small Business Administration?

A I don't know their name, but it is a pizza house across the street from me. It was demolished. I don't know their name, but you hear different things. I have heard the same thing that I am saying, that they sure appreciated getting a lower rate interest loan.

Q One other possible proposal I would solicit your views on; that is, if disaster loans, when available, were limited to only 60 percent of the uninsured loss that a small businessman might sustain, do you think that would increase your difficulties in restarting your business if you were only able to get 60 percent of your loss in the form of a loan?

A Yes. The first proposal was they were going to give me 80 percent, which would have been ~~$80,000~~ $64,000. I just -- the gentleman that gave that estimate back to the office, the next day or so I went in the office and talked with another gentleman. He said when this came back at $80,000, he just knew that it could not be correct. I don't know the name of the first gentleman that looked the place over.

MR. GRANT. Mr. Shovlain, again on behalf of the committee

I would like to thank you for giving us your views.

THE WITNESS: Okay. I wish to tell you about getting the loan. It was so painful. Every time I had an appointment with one of those men, they were never on time. One o'clock every day, it would be 1:30, a quarter to two. They would come in nonchalantly. I made a downpayment on a freighter trip to Italy that left the 20th of November. I started getting this loan right after the June 3 date. I lost my $100 downpayment because I couldn't get there.

I was waiting to get this loan. They were so slow. Right at the last, they told me I had to have my abstract brought up to date. They said you could do it with an attorney. I didn't need an attorney to get the abstract and bring it to an abstract company, but then I had to have an attorney okay it, which is absolutely a rip-off.

There is no sense in that at all. Those abstract people know more about that than an attorney does, but I had to go to an attorney. I took it to an attorney and he said, "What am I supposed to do with it?" I said, "Okay it."

He had to call the SBA to find out what he had to do to it to okay it.

So, I am extra down because I lost my trip to Italy on a freighter ship, just because trying to get this damned loan over a period of six months. I counted the people in the office. I believe there were ten people in the office. I think three could have done what the ten did.

If I operated like they operated, I would be broke in nothing flat.

BY MR. GRANT:

Q I understand. This is on the record, then?

A You bet.

MR. GRANT: We do thank you on behalf of the committee for coming in.

(Whereupon, at 11:15 a.m. the deposition of Bernard Shovlain was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Bernard Shovlain, acknowledge that I have read the foregoing deposition and that it is true and correct.

Bernard Shovlain

Bernard Shovlain

#23

11:35 a.m.
Dinkel
dmt

DEPOSITIONS OF RICHARD STEPHENS AND ROGER OSTWALD

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

MR. RICHARD STEPHENS
MR. ROGER OSTWALD

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Stephens, Mr. Ostwald, I would like to welcome you on behalf of the Small Business Committee. We do appreciate your taking the time to come by this morning and give Congress your views on disaster assistance that you have received and your opinions on some of the proposed changes that Congress will have before it in the next few months.

I want you to understand that our questions and any statements you make will have no bearing on the loan that you are receiving from the Small Business Administration in regard to the recent disaster here in Grand Island.

We simply want your opinion of the assistance you have received and what you think the impact would be of some of these proposed changes.

I would ask you again to state for the record your names, your business R & D Investments' address, your position with the company, and so on and so forth.

A (Mr. Stephens) I am Dick Stephens; R&D Investments is a real estate partnership-owning property. Its address is box 1241 Grand Island, Nebraska.

A (Mr. Ostwald) I am Roger Ostwald, R&D Investments; it would be the same.

Q Does R&D have a number of employees?

A (Mr. Stephens) No, sir.

Q Would you discuss the type of loss you had and the percentage of destruction sustained?

A We had two commercial rental properties that were totally taken to the ground.

Q This resulted in an uninsured loss of approximately $225,000, for which you received a loan from the Small Business Administration, is that correct?

A (Mr. Ostwald.) Correct.

A (Mr. Stephens) Yes.

Q On this loan, your payments at this time are approximately $1,931 per month for a term of 20 years?

A Yes.

Q One of the proposals before Congress would raise the interst rate on a disaster loan to a small business to 14 percent. In your situation, this would result in a loan payment of $2736 per month.

What would be your opinion as to your ability to sustain an interest rate at that level and/or its impact on businesses in general in your community, businesses similarly situated?

A (Mr. Ostwald) Well, we would just have to raise our prices on everything else, whatever we do, in order to make our payments. It is like anything else, I guess.

1

Q As far as difficulty in getting started back at R and D, would it have affected your decision whether or not to go back into the same business?

A (Mr. Stephens) I think it might have. With the cost of construction and everything today, the amount of our loan is not covering what we are going to rebuild. We have to go into the regular market and get additional funds.

Of course, they are going to be at 18 -- 17-1/2 or 18 percent. So it makes a large gap into there by the time you get through rebuilding and everything. People just won't pay that kind of rent. That is the problem we would face.

Q What would the impact have been on you -- what would you have faced if the Small Business Administration lending program were not available to you at all?

A (Mr. Ostwald) We wouldn't have done a thing. We would have leveled it, flattened it, grown grass.

A (Mr. Stephens) Not really built at all.

Q There is another proposal in regard to limiting disaster assistance to small businesses to only 60 percent of the uninsured loss. What would you think of such a proposal, its effect upon you and others similarly situated?

A I think --

Q It would make it all that much tougher?

A It would make it tougher, yet any help is better than no help when you have to go into the open market to get your funding.

A (Mr. Ostwald) Whatever you were going to do, you would have to cut it down. Instead of building a bigger building, whatever, you would have to cut it down and make it smaller to keep the cost down.

Q Do you gentlemen have any statements you would care to make about the Small Business Administration program, its disaster assistance, as you received it?

A One statement. An awful lot of paperwork. We thought we turned everything in. Then they would come back and say, "We need this." They didn't really know for sure what they needed.

I think we fought that for two or three months. I think they did a good job as far as getting it all done for all the mess we had here in town.

A (Mr. Stephens) I think part of it was just confusion over having so much going on at one time, but I think they themselves are burdened with more paperwork than really is necessary.

As they would come back out and ask us for more, we would supply them with it. I think an example was I think we supplied them with four personal financial statements, the day before the storm, the day after the storm, three months after the storm.

A financial statement is good for six months. Most banks will go along with you. I think those sorts of things they get carried away with. Outside of that, our treatment has been fine. We have no complaint at all. It is just the idea of getting the right thing to them at the right time.

Q Just to sum up, then, you do feel that disaster assistance to your business venture and others similarly situated from the Small Business Administration would be necessary in a disaster situation like you have been through?

A Very much so.

Q Without it you would not have been able to re-establish?

A No. We would have left it as vacant ground and forgot about it.

Q (Mr. Ostwald) Right.

MR. GRANT: Gentlemen, again I want to thank you on behalf of the committee.

(Whereupon, at 11:45 a.m. the depositions of Richard Stephens and Roger Ostwald was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESSES

I, Richard Stephens, acknowledge that I have read the foregoing deposition and that it is true and correct.

Richard Stephens

Richard Stephens

ACKNOWLEDGEMENT OF WITNESS

I, Roger Ostwald, acknowledge that I have read the foregoing deposition and that it is true and correct.

Roger Ostwald

Roger Ostwald

#24

Brad.
dmt.
11:50 a.m.

DEPOSITION OF DALE SCHUPPAN

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

DALE SCHUPPAN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Schuppan, on behalf of the Small Business Committee, I would like to welcome you here this morning and I want you to know we certainly appreciate your coming and giving us your views on disaster assistance.

We want to be sure that you understand that your statements here today in no way affect the two loans that you have from the Small Business Administration.

We simply seek your opinion as to the assistance you received and also your views as to some proposed changes to this form of assistance now pending before Congress.

If you would, please state for the record, regarding the two loans you received, the location and the corporate ownership in regard to the loan for damage to the building, as well as the loan for damage to the inventory at your business.

A Okay, Schuppan Enterprises owns the building and

Schuppan Sales and Service is the inventory, or the car dealership.

Q If you would describe your position with the business.

A Okay, I am the President of the business.

Q Okay.

A The basic business is selling automobiles.

Q Certainly, and you have been in the automobile dealership business for a number of years here?

A 25, 26.

Q And you have a number of employees.

A Yes, 25 at this particular dealership.

Q In regard to the amount of damage you sustained, what percentage of loss would you estimate to your dealership? It was not a total loss?

A Let's see. I am just saying that in one particular instance, I know there was $70-some-thousand, just damage to automobiles, and then the building and other buildings were damaged and the enterprise thing too, oh, in the one hundred and some thousand dollar category.

Q The uninsured loss on the two loans totaled approximately $228,000?

A I believe that is correct, sir.

Q This I believe you received as aforementioned in two loans, one for 15 years at a term of eight and a quarter percent?

A Correct.

Q The second for a term of 15 years at eight and a quarter percent?

A Correct.

1

Q On the first loan, monthly payments are running $1,051. On the other loan, $1,190.

Mr. Schuppan, under one of the proposals now before Congress, the interest rate on such a loan would be increased to 14 percent. That would result in a payment on your first loan up from $1,000 to $1,397 per month, and on the second loan up from approximately $1,200 to approximately $1,600 per month.

What would you judge the effect to be on your business, restarting in a disaster situation with little or no cash flow and floor plan, obligations to financial institutions of having to pay 14 percent and that much more to service a debt?

A In the status right now of the automobile business it would be an impossibility, just no way.

Q Along the same line, Congress is considering a proposal to limit disaster assistance to only 60 percent of your uninsured loss, not fund it 100 percent, make you a loan.

Would that leave you in pretty much the same situation?

A You would have the same problems.

Q Further, a proposal might result in no Small Business Administration lending assistance to small concerns similarly situated as you were in the disaster at all.

What result would that have on you and some of the other car dealers and businessmen here in town if you faced no government loans available in a situation like the tornado?

A You just wouldn't be here. There would be no way that I could see it in today's situation.

Q This then would have what effect on your employees?

A They have to go work someplace else basically. There would just be no way that I could see in this type of deal for survival.

Q Did you have any damage to a residence?

A Very minor.

Q Are there any statements you would like to make in regard to the program itself as you have received SBA assistance, or any further statements on these proposals to cut down on the assistance available?

A Oh, I think the people were very fair and basically were concerned, and they, I think, realized the problem. I was very impressed by the men they had on it who seemed to have a knowledge of business, apparently had gotten it sometime throughout their lifetime. I appreciated that.

In other words, if you have a guy who is looking at your business but has never been in business, then he has no basic knowledge of your problems, and these guys seemed to have a good knowledge of the problems which we faced, which I appreciated.

Q Not to put words in your mouth, but to sum up, you would say that if you faced having to pay approximately double the interest rate and/or no government assistance available in a disaster such as you have been through, that you see no way that you or the local financial institutions or community could have provided the kind of assistance you would need to re-establish?

A It would be extremely difficult to operate.

MR. GRANT: Again, thank you, Mr. Schuppan. Thank you.

(Whereupon, at 11:55 a.m. the deposition of Dale Schuppan was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Dale Schuppan, acknowledge that I have read the foregoing deposition and that it is true and correct.

DALE SCHUPPAN

#25

Carol/gay
12:00

DEPOSITION OF MR. AND MRS. DOUGLAS D. EICHER

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

DOUGLAS EICHER

MARIAN EICHER

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q On behalf of the Small Business Committee, I would like to thank you very much for coming today to give us your views on disaster assistance.

I believe you understand that your opinions today and your statements will in no way affect the homeowner loan that you have from the Small Business Administration. We are simply seeking your opinions as to that assistance.

As I say, you have received a loan, and in light of certain proposals, what you would think of these changes.

If you would both please again for the record state your names and the location of the home which was damaged.

A (Mrs. Eicher) Marian G. Eicher.

A (Mr. Eicher) I am Douglas Eicher, and we are at 2510 Brahma.

Q In Grand Island?

A Yes.

Q As a result of that disaster here in Grand Island, there was an uninsured loss of approximately $53.000?

A Our situation, we had insurance but our mortgator took, on the clause of that insurance, that he had the right to take away the money, and that is what happened.

Q Necessitating a loan from the Small Business Administration, as a result?

A Right.

Q This loan was made for a term of 30 years at the rate of interest of 3 percent?

A Correct.

Q Was the damage to your home 100 percent, total loss?

A Correct.

A (Mrs. Eicher nods affirmatively)

Q On this loan you are now paying $225 a month?

A (Mr. Eicher nods affirmatively)

Q If that loan had been available to you at a rate of 14 percent, resulting in monthly payments of $511, what would that have done to your ability to re-establish as homeowners in your community?

A (Mr. Eicher) We couldn't have probably have done that.

Our loan previously was at a lower rate than the prime interest rate was, and so that is the only reason we could do it. Being a teacher and a secretary, there was no way we could have afforded to pay.

A (Mrs. Eicher) We could have gone to other sources, I think.

A (Mr. Eicher) Maybe back into an apartment-type situation, because we couldn't afford it.

Q In regard to the assistance you received from the Small Business Administration on your homeowner loan, what was your impression?

A The assistance received, you say?

A (Mrs. Eicher) Personalities with the people?

Brad.
dt

Q What you felt, you felt it was a good program, a worthy program, good expenditure of the taxpayers' money?

A (Mr. Eicher) I probably dealt more than Marian did.

We were extremely impressed. They were very free to answer the questions that we had. We discussed, there was probably a lot of paper work; I have never seen so much paper work involved, however I can see the reason behind that.

Everyone was very cordial and helpful and answered all the questions and helped us fill out the different forms. We are so appreciative of getting this loan that, you know, it is so nice to be able to rebuild right away and get our lives somewhat back to normal again.

Q You do favor continuing this three percent loan program for homeowners suffering from disaster as you did?

A (Mrs. Eicher) As a disaster victim, I am in favor. As a taxpayer, I am not.

I suppose everybody answers that way.

A (Mr. Eicher) I see the need for the assistance, because I think a lot of times the people really have a hard time.

First of all, after the disaster, you just don't know what is going to happen. There are so many questions you have in mind and it was so nice to know there was somebody we could go to after our money was taken away and we just didn't know what we were going to do. With her being in the hospital, it was a real tough time for us those few days.

A (Mrs. Eicher) I think being taxpayers, you know, and our parents have been taxpayers all through their lives and everything, I felt we are as entitled to it as anyone because of your situation, but yet if it came right down to it and we couldn't have gotten the loan, we could have gotten money elsewhere. It would have been harder.

Therefore, I almost think the guidelines should be a little more stringent. I don't know how easy it was for other people or how great their needs were or if they could have gotten money elsewhere, so I wonder about that as a taxpayer, as I say.

MR. GRANT: I certainly want to thank you both very much for coming and giving us your statement.

(Whereupon, at 12:05 p.m., the depositions of Mr. and Mrs. Eicher were concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Marian and Douglas Eicher, acknowledge that we have read the foregoing deposition and that it is true and correct.

Marian Eicher

Marian Eicher

Douglas Eicher

Douglas Eicher

#26

Dennis/gay
12:30pm

DEPOSITION OF BUD RASMUSSEN

Tuesday, April 21, 1981

GRAND ISLAND, NEBRASKA

- - -

BUD RASMUSSEN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Rasmussen, on behalf of the Small Business Committee, I would like to welcome you and thank you for coming in to give us your views on disaster assistance as a result of the recent tornado here in Grand Island.

I would like to make sure you understand any discussion of your loan from the Small Business Administration or disaster assistance in general which we might get into this morning will in no way affect that loan.

We are not interested at all in varying your terms or your interest rate or anything of that nature.

What we do seek is your reaction to the assistance made available to you and your reaction, as well, to several proposals now before Congress to change in the future and not affecting you, certain aspects of the disaster assistance available to small businesses.

If you will, please, again, sir, for the record, state your name, your business, your position in the business, and its address.

A I am Jack Rasmussen. I am a partner in Jack's Tire Service in Grand Island, Nebraska.

Q That, I believe, is a joint venture?

A That is a partnership.

Q A partnership?

A Yes.

Q Fine.

A Our application was under joint venture on our SBA loan because there is one other person involved in our building.

Q Mr. Rasmussen, how many employees are there for Jack's Tire Service?

A Six.

Q What type of loss did you sustain and the percentage of that loss? Was it a total loss, in other words? 100 percent?

A Yes. Our building was hit head-on. It was entirely demolished. We rebuilt back exactly the same way we were. We did make application for a SBA loan when we built the building six years ago. We put our insurance with one particular insurance company and asked them how much to carry. We took out that amount of insurance. They increased it 25 percent over the six-year period. We were still $40,000 short of having adequate insurance.

Q So, as a result, then, of the disaster, your building and inventory sustained an uninsured loss of approximately $40,000, for which you received a loan from the Small Business Administration for $39,700?

Is that correct?

A I think it was -- they withheld 10 percent. I think the total was $44,000.

Q That loan was made available to you for a term of 15 years at an interest rate of 8-1/4 percent. Correct?

A Yes.

Q This has resulted in your paying approximately $433 a month?

A Yes.

Q One of the proposals now pending would be to make assistance similar to that which you received available to small concerns at an interest rate of 14 percent. On the particular loan you have, this would result in a payment of $575 a month as opposed to $433 a month.

What effect do you think that would have on a business such as yours, or businesses similarly situated in the community, in trying to recover and get back on their feet immediately after a disaster?

A Well, I am really involved in this a little more than my own personal thing because I got involved and am spending half my time as the president of the South Locust Street redevelopment group here.

Q I was going to ask you about that. Go right ahead.

A We have been keeping tabs on all the businesses up and down the street and how this affects them. I know people that have had -- might have been destitute had they not had SBA loans and probably couldn't have gone back into business.

In our case, we had been fortunate to inherit the property and all. We didn't have a large loan against it, so we probably could have secured financing locally without the assistance of the Federal Government, but it softened the blow for us being able to borrow money at a reasonable rate of interest at quote/unquote reasonable rate of interest.

I remember when I thought 8 percent was exorbitant.

Q In other words, you found the cash flow at that time was so low that that stimulated your cash flow and helped you get over it?

A My own personal opinion -- and of course this is a conservative part of the country. I don't think many people out here really are on the dole as far as the government is concerned. I think in many areas that small businesses are in maybe they wouldn't be -- it wouldn't be so necessary for them to have financing.

I think a disaster situation is a little different thing. When a person is in a disaster situation, the type of loan that they are making now,of course, depending upon the ability to pay -- whether it was five percent, eight and a quarter percent -- was definitely a tremendous help to these people.

If it were made on a different basis, on a 14 percent basis, it might not be a very usable thing for many businesses.

For one thing, the people that don't need it on the one hand wouldn't use it. They wouldn't go through the necessary steps to procure SBA money. They would probably go out and borrow it themselves if they could.

The people that can't do that, though, are faced like one or two of the people up and down the street there were, with a loan they had to keep paying on anyway. Had they had to pay a full load interest carrying on a second loan, it probably would have made a difference of going back into business or not.

My own personal feeling is that I don't know what all of the ramifications of the SBA are, but in the disaster area somebody needs to do something about disaster, I think, in this country.

I guess the Federal government falls to the role of that.

I don't know what your statistics are as far as the cost to the government between loaning this. Obviously it is costing them because they are paying more than eight and a quarter percent to borrow money. If they are going to do disaster help to people, it seems this is a proper way to do it in a reduced interesttype loan.

I don't know how effective an SBA loan would be if it were at market levels.

Q Further along that line, for those better able to bear the brunt of a disaster, a loan at 14 percent obviously, as you mentioned, would assist their recovery in getting back on their feet more quickly than a loan at market rates.

There is a further possibility that disaster victims who were able to press their own resources or their lines of credit for assistance at some rate would receive no assistance from the Federal government at all.

I wonder if you have any thoughts about those businesses who might be able to stretch themselves extremely thin in a disaster situation to get financing being denied any government assistance whatsoever at any rate in a disaster situation that is as wide as the one here and was here in Grand Island?

A   I suppose that this comes down to the same thing with Social Security. Everybody is paying taxes. Everybody is on the same situation on Social Security. Our Social Security program does not pay for just those people who have to have money.

It pays for everybody who paid in the program. Basically I look upon this as that type of thing, I think. It is a little hard when anybody has the authority at some place in line to say, "Yes, you get it," and "No, you don't."

You have a problem. I think the program they have now is better where they have a percentage difference. If you are destitute, you get a lower percentage rate; if you aren't, you get a higher percentage rate.

You are still assisting them, but to a lesser degree. I think that is a fair approach.

I think the only reason I wanted to appear today -- and I have already been contacted by some other people I guess in the SBA -- is how the SBA disaster loans were administered here.

I was quite vocal. I was called by a Scott something or other, an AP correspondent, that syndicated an article about SBA on this thing.

He called me about the week -- because I was President of the South Locust Street Improvement Board -- he called me a week after the tornado.

He wanted to know how the SBA was doing. I said, they are doing fantastic. They are here on the job. Everybody is making applications and it is great."

Then he called me about two and a half to three months later and asked me my thoughts on the thing. I was almost the opposite. I said they were here, they took the orders, but they didn't do much.

After that I think there was an article written. However, subsequently I have appeared at the Steering Committee in Grand Island and all and the local SBA representatives reported, I think, in January that 85 percent of the loans had been processed by that time.

The only thing -- and I am sure you probably hear it from other people here -- I realize the necessity of complete information on making loans on this thing, but it did seem like there was, for a disaster-type situation, there was a little bit too long of a delay in getting action done. If that could be shortened up, if they are going to continue on a disaster program, I think it would be a very worthwhile thing.

Q Did you also have a residence involved in that particular disaster?

A Yes. I lost three wings off my house, the bedroom, dining room, and double garage. We were able to live in the main part of the house. I had adequate insurance to cover the house.

Q Based on your experience with the Improvement Board, did you find many people in the community sustaining a residential and a business loss?

A I don't know how many. I heard of one fellow that lost two houses and a business. I thought I wasn't so bad off. I don't imagine there were all that many.

I do know of one individual that is going to appear here that had that happen. He had a worse situation than I did in both his business and his home.

Q Let me also get your reaction to one other proposal. If disaster assistance loans from the Small Business Administration were limited to only sixty percent of the damage sustained by a small concern, what effect do you think this would have in a disaster situation as you had here in Grand Island as far as getting businesses started and back on their feet?

A Well, I think it would be better if the loss were not fully covered to have a percentage type of situation at a lower rate of interest than to have a full loss coverage at a higher rate of interest myself.

Q This would be in consideration of a higher interest rate as well. This was spoken of as a proposal which would have a high interest rate and would still press some business to come up with money which obviously has not been the case in the past.

A This was my first experience with a disaster situation. You talk to a lot of people. I am sure that many of them are more experienced than I am. When you are getting assistance in a disaster situation -- and I was fortunate because on the one hand I was fully covered on my house -- but I am thinking of some people I know that had losses that did not have insurance or had no way of recovering and everything.

It looks to me like from that type of assistance, that a partial assistance would be inadequate.

Q Mr.Rasmussen, again on behalf of the committee, I would like to thank you and offer the record available for any further statements you would like to make at this time.

A I guess I pretty well covered it in the previous comments.

MR. GRANT: Thank you.

(Whereupon, at 12:45 p.m., the deposition of BUD RASMUSSEN was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, BUD RASMUSSEN, acknowledge that I have read the foregoing deposition and that it is true and correct.

Bud Rasmussen

#27

Brad/dt
10:05

DEPOSITION OF JIMMIE ROUGH

Wednesday, April 22,1981

SAN DIEGO, CALIFORNIA

- - -

JIMMIE ROUGH

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q State your name.

A Last name is Rough. R-o-u-g-h. And my first name is Jimmie. Middle initial L.

Q Your business name?

A Rainbow Wallets of California, Inc.

Q That is on Oceanside?

A Oceanside, California. We have just recently changed the name of our company to Rainbow of California, Inc., so just to make sure there is no confusion there.

Kind of dba Rainbow Wallets, but the official name is Rainbow of California.

Q Mr. Rough, I understand that you were one of those out here that suffered disaster damage and sought assistance from the Small Business Administration.

A Yes, indeed, we were.

Q Would you describe what happened to your firm?

A Well, we had a pretty substantial flood in the plant and premises. It occurred somewhere around midnight, two o'clock in the morning, and it was as a result of a tremendous series of downpours and apparently the sun, moon and stars were all lined up at the same time, the tide in the ocean was one of the highest they had had in years.

All this water was running off and coming down the river and the tide was high and not too much of a place for it to go and apparently it ran over the dike up there, cut a hole in it and the next thing you know water was running in the plant.

We had varying in the plant location, anywhere from about six to eighteen inches of mud and water running throughout the two buildings that comprise our operation.

Q So it pretty well put you out of business?

A No pun intended, they really put us dead in the water for a while.

Q As a result of that, you received an SBA disaster loan on account of the physical damage to your premises, and a second --

A Economic injury loan.

Q Economic injury loan?

A Yes.

Q $62,700, is that correct on the first one?

A Yes.

Q Fifteen-year term?

A Yes.

Q Five percent interest?

A Right.

Q We are considering a number of changes to the disaster program and included in there is one proposal which would increase the interst rate on your physical disaster loan, the one you are now paying five percent on. This would not change your term. That is a contract you have already entered with the government, but we are talking about possibly changing it for future victims.

If, however, the change had been made, namely, to 14 percent interest rather than five, the impact on you would have been that instead of your monthly payment on the physical loan running $504, it would run $818 a month. What would that impact on your operation?

A Well, the impact on the operation would be, it would cause additional hardship.

Now, it isn't that it couldn't be paid, but we were in a position as a result of loss of inventory and loss of productio time, and the inventory was both raw goods as well as finished product, it slowed our business down considerably, and it was an incredible timing on the part of the disaster in that it was a time where competitors were beginning to come into the marketplace, and where we had a substantial portion of it during this hiatus where we were not able to ship and this and that and the other thing.

It allowed a lot of our competitors to come into the marketplace, and take up a portion of our piece of the business.

Now, this might not necessarily be true in all disasters. This happened to be true in our particular case. What I am getting around to is the economic injury part of the thing, along with the physical loss and the amount of time it took to get things put back into operation slowed our momentum down to the point where we suffered really severe cash flow problems and we are still digging out, as far as that is concerned and so, you know, basically, I believe that the recipient of these kinds of things should pay a fair share, whatever that is.

I do feel that it should be a lower rate than the normal rate. What a fair share would be, I am not really sure, but at that time when it was disbursed and at the present time it would create some additional hardship in trying to get back on top of the situation, you know, where we are really a profit-making organization, and I think from my point of view the only reason for getting a disaster loan like this is to keep from going toes up, and had we not had this available to us, we could very well have gone out of business.

Time-wise, it was just that critical.

It took ages to get it through, it seemed like, but the fact that it had essentially been approved by the SBA conceptually, allowed us in the interim to get bank financing with the idea that this was going to pay off, the loan from the bank, because we were having enough difficulty that the bank was a little shaky on throwing a big bunch of money in there so they were much more reassured when the government was going to step in and help.

It isn't that it was that shaky, but it was one of those things where they needed a little reassurance.

Q How many employees does your firm have?

A Right now about 75.

We had about 150 when the flood hit.

Q So you believe that if the assistance had not been there, it could have resulted in an increase in your, or a decrease in your employment and an increase in the U.S. unemployment?

A Precisely.

Q As a taxpayer, do you think this is a good program?

A Yes, I would have to say that as a taxpayer, I think, due to my own experience obviously I think it is a good and worthwhile program.

My mode of operation is just being one hundred percent straightforward, no B.S., no extra requests or anything, and we requested what we thought we needed and we didn't get all of it but it was very helpful.

I am sure that in some cases there are probably abuses of the system. In any program there are always abuses to the system and those I really object to, but in our particular case I think it was certainly worthwhile from my own unbiased point of view.

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Q What changes, if any, would you recommend in the program?

A Well, I don't know. There is always a trade-off in everything you do.

Maybe staff it up a little heavier at the time so that the loan can be processed quicker, this sort of thing.

Perhaps a little more thorough screening, although I think in our case, the people who were involved in our particular program did a very admirable job. They asked all the hard questions and held our feet to the fire quite well, and so, it wasn't one of these things where you just walk in and sign up, as far as I was concerned, you get a loan. We had to justify it in spades, and I thought that the particular people that we did business with were professional and probably moved as speedily as they could, but they were totally inundated with businesses, private loans, you know, and it seemed like a million different things.

We had to call up constantly to remind them that we were in dire need of help and try to get them to speed the thing up, and I am sure they were doing everything that they could.

Just observing the people that we were dealing with, they were strapped to the wall, really working hard. I would never accuse them of sloughing off.

Q What about the program itself?

You noted earlier that you did not get the entire amount of the loan that you asked for, what you finally got in the way of an amount was what SBA felt, their estimators determined was the actual amount of your uninsured loss; namely, the $62,700.

What, if after arriving at that $62,700 figure, they were then to cut it down further and say, well, we will put up half of the money that it is going to take to rebuild you, and you are going to have to look elsewhere for the other half? We will put up maybe two-thirds, and you will have to find one-third.

Is that a feasible arrangement?

A Essentially, that is what occurred anyway in that we, in the economic injury part of the loan, we were already working on a SBA loan to try to get the business back on its feet and moving.

I say already, we are working on it after the disaster because we needed to expand, needed more money, so we were working on a straight SBA loan anyway. So, the bank looked at the economic injury as a little bit of serendipity, which I objected to, because we were working with the Bank of America.

They took their own point of view rather than mine, and so the basic SBA loan guarantee was decreased by the amount of the economic injury loan, so that -- and I was very straightforward with the bank when we were working on the straight SBA

3 loan. I told them we were working on a SBA loan, as well as a disaster loss loan, so one of the rules that they put in with the SBA on the guarantee of the basic loan was that the economic injury part of the loan would decrease the amount of the guarantee of the basic SBA loan.

So, in essence, what **we** are suggesting happened in our case --

Q Did you actually receive your bank guaranteed loan?

A Yes.

Q How much was that for?

A Well, it was originally for $200,000, but it was decreased by the amount of 30, whatever it was.

Just a second.

Q 38,8.

A 38,8.

Q What type of an interest rate are you paying on that loan?

A I forget at the moment. I think it is somewhere around 14, 15 percent. We got in just ahead of the floating interest rates, the prime plus one or two or whatever it is.

I will tell you, the basic cost of doing business of loanable money these days is enough to damn near put you out of business. So, is the SBA loan a significant factor there? Yes, it is, because the interest rates, when you get up around 20 percent, it just really cuts into your ability to make a

4 profit because everything is up, the cost of material, the cost of labor, with the competition in the marketplace, the amount you can charge for your product is down, and so really and truly, the SBA loan is a significant factor in our ability to survive and operate and make a profit and as a result of -- to a major extent of this big hiatus caused by the disaster.

Q Sir, anything else you wish to add?

A Well, it is probably not appropriate for this particular forum, but there are three things basically that are going to cause little business and big business to go out of business in this country.

One of them is the high interest rates that it takes to get money to do business.

The other is the cost of energy, which drives the cost of everything in the country.

And the other -- and this is something that the government seems to be working on these days to be done about it -- but the other thing is the cascading bureaucratic regulations that are put on industry because it takes a new bureaucracy in Washington to administer the new regulations.

It cascades down through the local level to where there are regulatory agencies at all levels, and then the company has to build its own bureaucracy to answer the bureaucracy, which costs money.

Then, not only that, when you implement the regulations it costs money to do that. So you have an incredible -- and no one in this country is capable of calculating the cost of these kinds of regulations, when you look at the federal, local and company bureaucracies that are set up and the cost of implementation, personnel salaries, paperwork, actual physical things that have to be changed, you know, as far as changing plant, impact on products, this sort of thing -- it is an incredible internal cost that no one, I think, is really capable of calculating.

Q Go back for just one minute to the employment situation. You went from 150 employees before the disaster, and you now have 75?

A Yes.

Q Is that directly attributable to the disaster itself?

A It is a combination of -- for us it is attributable to the disaster in that due to the loss of momentum at the time -- the timing was just incredibly bad. At the time of the disaster, we had competitors that were able to come in and grab a piece of our market at the time and, as a result of the loss of money, of cash flow, spending time trying to get bank loans, spending time trying to get the disaster loans -- hell, I spent all my time chasing money. I didn't even have time to run my business.

Dennis
dt

We lost sales; our cash flow got extremely thin. It is one of those things where we are kind of in a Catch 22. We couldn't get back up because we didn't have the money to get up. We couldn't get the money. It just went on and on and on like a shaggy dog story.

This is trying to get the straight SBA loan, not the disaster loan. That is just the way it works. It takes an incredibly long time to do it. You cannot move out to do what you have to do until you get the money; by the time we got it, it was almost too late.

Q Do you think your employment situation will rebound now?

A Yes. We have kind of bottomed out. We are coming up the other side now. It has been a Herculean effort in spite of everything and everyone, to get it back on track, but we have put together a hell of a management team up there.

I think we are coming out the other side now. We really would not have been able to do it if we hadn't had some assistance along the way. I basically do not believe in government programs of assistance, until I got into this one.

Q We appreciate very much your taking the time to come down and tell us about your experience with the program.

A I appreciate the opportunity to do it.

Q I hope you don't regard it as more government bureaucracy.

A This I don't. I feel very strongly that you should be doing exactly what you are doing because I am sure there are abuses to the system. I know there are a hell of a lot of programs that are kind of shaky, conceptually, as to the good they are doing. Somebody needs to be looking into every aspect of them to make sure that the government and the people are getting their bang for the buck.

Q Again we appreciate it. Thank you very much.

A Thank you.

(Whereupon, at 10:25 a.m., the deposition of JIMMIE ROUGH was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Jimmie Rough, acknowledge that I have read the foregoing deposition and that it is true and correct.

Jimmie Rough

#28

Dennis
dmt
10:30 a.m.

DEPOSITION OF DIETER VONGEHR
Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

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DIETER VONGEHR

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A My name is Dieter Rudolph Vongehr, 7948 Cinthia Street, La Mesa,

Q What is the name of your business?

A My business is Dieter's Porsche Service.

Q You had the occasion to receive an SBA loan as a result of being displaced in a previous location?

A I did.

Q Would you describe the situation for us, please?

A I leased property on the corner of State and E Streets in downtown San Diego. The City Council of San Diego cleared it out as a redevelopment area.

I was notified by the Center City Development Corporation that they would take over the property and said I would have to look for new -- for a new place to locate to. They would give ninety days advance notice when they would take the property, but from previous experience I knew that it would be almost impossible to find within ninety days any place in downtown San Diego where to locate the business.

I particularly wanted to stay in downtown San Diego because the majority of my business comes from there. So, even before I got the 90-day notice, I started looking for suitable property either to buy, to lease, to lend; anything, as long as it was within a reasonably close distance to downtown.

So there was very little property to lease. There were a couple of places which would be built to suit, but the rental on it would have been out of my range, so I received a letter from the Small Business Administration saying that as being a displaced person, I would be able to receive a loan,either a guaranteed loan or a direct loan from SBA if the need for it should come up.

So after I had been looking for over six months and hadn't come up with anything yet, I found one lot with no building on it that was available for sale. It was within a close distance to downtown, but it was for sale, not for lease or anything.

So at that point I talked to CCDC and the SBA about being able to buy it and build a building on there. How much money CCDC would pay in the relocation and how much money I could possibly receive from the SBA.

It did turn out that I did buy the property. I applied for an SBA loan and I did buy the property and had a building built on there.

One problem that came up in that is when I applied for the SBA loan, the loan officer wanted to know how much the building would cost, and at that point I did not have any firm plans.

I did not haveany bid on a contract. So one of his comments was that when I applied for the loan, I have to apply for a sufficient amount to apply for something that is not sufficient and then go back and apply for more later would be quite a problem.

It would be, you know, next to impossible to get more later. So if I applied for a loan, I should apply for more than I figured that I need. If I don't need it, that is fine; then I don't need it.

So, which I did, and which did turn out to be more money than was necessary, but it created a problem with the Center City Development Corporation because they said I had the money available from the SBA and, therefore, they would no be obligated to pay some of the relocation expenses that they originally said they would pay.

There was a long hassle that ensued over that. In my mind I had from SBA a line of credit that I could use, but I didn't have really the money there. If I did not need the money, SBA was not going to issue it.

So I had to hire an attorney and sit down with the Executive Vice President of CCDC and have an informal hearing about a grievance on it and finally got an amount of money from them which was less than they paid to a neighbor who was in the same situation because he didn't have as much money available from the SBA, but, after all the hassle, I figured I better settle for that because otherwise I would have to sue the CCDC and spend more money to get some money. So it wasn't worth it.

Q Were you leasing the original site?

A Yes, I was. When CCDC condemned the property there, I had about another year and a half -- somewhere between a year and a half to two years to go on my lease there. So I was leasing that place.

Q How much do you anticipate that it would have cost you to re-lease a new location other than building? In other words, what was the expense involved by being displaced by this urban renewal project?

A Well, the rent I was paying at the place that I occupied was $1780 a month. The one place that was going to build a place for me, the rental on that would have been $3800 a month.

Q Your rent would have more than doubled?

A Yes. That was the biggest problem, is in finding -- two problems with finding another rental place: one, there aren't that many because of the redevelopment. All the buildings that can be used as a garage, most of those have been torn down. So to stay downtown and operate out of a repair shop would have required a new building.

The rental on the new building would be very prohibitive.

Q At that time that you were displaced, did you have employees working for you? You were not just a one-man shop, were you?

A No, I had at the time -- and I have now -- eight employees.

Q Under your SBA loan, you actually received $431,900, is that correct?

A Probably so.

Q The interest rate on that would have been seven and three-eights percent, I believe.

A I think it is just over eight. I am not sure.

Q Eight and a quarter?

A Somewhere around eight. It is just under eight or just over eight. I think it is just over eight.

Q When did you receive the money?

A The first payment on it for the purchase of the property was made in July of 1979. No, is that correct? No. I think it was like May of 1979.

Q It was in 1979?

A Yes, it was in 1979.

Q What would have been the impact on you if the program had not been available? What would you have done?

A Well, I would have had to start looking for a place to move my business to, somewhere outside of the downtown area. I am not -- see, the main reason it was important to me to be downtown is that I work on Porches and many people who drive Porches work downtown in the office buildings, and it is convenient for them to drop their car off at my place in the morning when they go to work.

I work on it during the day. In the evening, when they get off work, they pick up the car.

So, if I -- without the program, I would not have been able to build a building that I am in now unless something else would have come up that would have been available to lease. I would have had to move out of the downtown area maybe to Lemon Grove or Kearney Mesa, where the rental rates are not as high as they are downtown, which would have had a considerable effect on my business.

Even moving about 20 blocks from where I used to be, it has some effect on my business. Some people that used to be able to walk back to work can't walk that far, and most people are able to get a company worker to pick them up from the shop when they drop their car off. Some people aren't able to. It is possible I can give the people a ride to work, but some people just don't want to go through the hassle, so they are taking their car to have it worked on someplace close at home, leave the car with the wife and she takes it in to get it fixed, rather than get it down to me.

If I had to move out of the downtown area, I think it would have had much more of an effect than it did now.

Q How far would the other two locations have been from downtown that you looked at?

A One of them would have been about eight miles and the other one probably about ten miles.

Q If you had had to move your business that far in order to re-establish it, would that have involved a significant clientele change for you?

A Yes.

Q You would have lost a lot of business?

A I would have. I probably would have picked up some other business, but I have moved once. In 1968 I moved my business once from El Cajon to San Diego. This was a distance of probably about seven, eight miles, something like that. I noticed that quite a number of the people that used to come to the old location would not come to the new location.

Fortunately, the place that I moved to was close to San Diego State College, and I got lots of business from there, new business from the college.

In Lemon Grove, for instance, there wouldn't be much of a Porche -- that is not much of a Porche population. People

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wouldn't have had to drive -- that would have been the most logical place to move to as far as rental rates are concerned because that is an area that rent is relatively cheap. It would have been possible to afford that.

Kearney Mesa is somewhat overcrowded. I don't like to go there. People don't like to go there because the traffic is always terrible there. It is what downtown used to be 20 years ago. Then everybody was going downtown. Now everybody is going to Kearney Mesa.

It creates a problem. There are lots of warehouse type buildings available which lease fairly reasonably.

Q What do you think the impact of having to move 20 miles would have been on your employment? Would you have needed eight people at a new location when you opened your doors? Would you have had to let some of them go until you built it back up or what?

A Well, I would have -- if it were possible, I would not have let anybody go. Mechanics are in short supply, especially good mechanics. If I let somebody go, he would have to go look someplace else for work. It would be hard to hire him back when business picks up. So, I would have tried to avoid that.

What I probably would have done is to put the mechanics on short weeks, have them work four days a week rather than five days a week and rotate them so that each one would be working a shorter time. That would have been a problem, too, because for some employees they wouldn't have made enough money. They would have left and gone looking for a job someplace else.

Q Did you look into the possibility of obtaining a bank loan rather than the SBA loan?

A Yes, I did. My bank, the San Diego Trust and Savings Bank -- a bank I have been banking with for 15 years or so -- I went tothem and they said it would require 30 percent down on it and the interest rate would be about 15 percent.

So, I would have had to come up with $125,000 approximately for a downpayment. Even after that large downpayment, the monthly payments would have been prohibitive. It was just impossible to do it with conventional financing.

Q So, without the SBA loan, you would have had to move someplace else and lease some new quarters?

A Yes. Unless by some miracle something would have become available that somebody would have closed their business in the downtown area that I could have taken over the lease on it or something like that.

Q You have been in business at your new location, what, about two years now? Coming up on two years?

A No. It has been a year since I moved into the new location.

Q If you had it to do over again, would you go through

5

it?

A Yes, because if I wouldn't, I would have to either move someplace else or close my business. Neither one of those are prospects that I would look forward to.

Q I take it from that that you are in favor of SBA's program that helped you?

A Yes, for sure.

MR. POWERS: All right. I appreciate very much your taking the time to come down here this morning. I know it takes you away from your business, but it is only getting people like yourself to come down here that we learn how the program is working and whether it should be continued or not. Again, I thank you.

THE WITNESS: Thank you.

(Whereupon, at 10:45 a.m. the deposition of Dieter Vongehr was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Dieter Vongehr, acknowledge that I have read the foregoing deposition and that it is true and correct.

DIETER VONGEHR

#29

Carol/gay
10:45 am

DEPOSITIONS OF SIEGFRIED MIKUTEIT AND ERWIN ASCHENBRENER

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

SIEGFRIED MIKUTEIT

ERWIN ASCHENBRENER

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Does one of you want to act as primary spokesman about your loan assistance?

A (Mr. Aschenbrener) He is more familiar with SBA.

Q All right. I will direct my questions to you, then, but feel free to jump in if you have something to add.

State your name and address for the record.

A (Mr. Mikuteit) I am Siegfried Mikuteit. I reside at 12540 Montero Way, San Diego.

Q Are you partners in a business known as Tangerine Gardens?

A That is correct, half-owners.

Q All right. And your business was struck by a disaster recently?

A October 15 an earthquake hit and destroyed about 40 percent of the facility.

Q Would you briefly describe the type of destruction and the units that you had there that were damaged?

A Okay. It is a mobile home park with 88 units in it, mostly retired people and farm workers living in there.

When the earthquake struck, it destroyed our natural gas distribution system, and it destroyed the entire septic system, and it dislocated 21 homes in the park, and the earthquake also created out of the swimming pool sort of a tidal wave and destroyed part of the recreation building. It filled it up with water and destroyed some of the interior walls.

Q Did you have insurance to cover part of this loss?

A No.

Q No insurance on it.

A There was no insurance on that,

Q As a result, you subsequently received a SBA disaster loan to repair the damage that had occurred?

A That is correct, yes.

Q And the amount of your loan was $137,000?

A Yes.

Q And you are repaying that over 30 years at 5 percent interest, is that correct?

A That is correct, yes.

Q Okay. Have you completed the repairs to the property or are they underway or what?

A Not yet.

The reason for that is that there are county and state laws that we have to meet, and the rebuilding of it, and apparently that takes quite a bit of time. It took us quite a bit of time to get started even, because we attempted to repair our gas distribution system, but because of the percentage of destruction, the state required that it be completely rebuilt, which really imposed a significant financial burden on us.

We thought that we could have done, that we could have repaired it, but as we went on, we found out the damage was higher than we had estimated.

A (Mr. Aschenbrener) What happened, we went around with the sniffer to find out where the leaks were, and then we repaired this one and turned gas on again, and it wouldn't hold pressure, and we would look again to find another one.

We did that for a week and finally decided we could do this for months and still be wasting money, so at that point we decided to go with a new system.

Q You had so many leaks it wasn't feasible to repair them, but cheaper to replace the whole thing?

A We replaced it with plastic, which does not deteriorate in the ground. It was a black iron system and a little disturbance was all it took to complete the job, so we replaced it with plastic,which we hope is permanent.

Q What do you think of the SBA loan program that provided you with funds to rebuild after this disaster?

A (Mr Mikuteit) Well, we tried to do first without it because of the immediate needs having 88 families without natural gas, without a septic system, the needs were immediate. That is why we started to repair. That was quite impossible, it turned out. We could not have done it.

The argument goes as follows:

We are active in the engineering field, and we wanted to provide for ourselves a retirement income, so in 1978 we procured a park, put all our life savings into it, and when disaster struck a year later, we couldn't, we just could not raise the money to repair the damage.

The purchase of the park put us, well, we had three mortgages on it and no moneylender would come to our aid, knowing that we had already three mortgages against it.

We attempted to do it one other way. We approached the local gas company and asked them if they could take over the complete gas system, because prior, it was a private system in the park and we asked them, would you take it over because we cannot do it.

Their response was, we would, but you would still have to pay $100,000, as a rough estimate, to repair the system. It would take on the order of three or four months to do it.

Mr. Aschenbrener felt because of his prior experience in construction that we could do it faster at a much lower price if we just had the money, and that is why we approached SBA.

Q So private financing was not available?

A With three mortgages, nobody would touch us.

Q Obviously, then, if you had not been able to get the SBA assistance in the amount you received, you would have had to close the doors.

A We would have had to do that.

Q How many families?

A 88 families.

Q 88 families involved?

A Most of them, actually a lot of people that are retired, elderly people, they are single, really. Their homes are relatively small, so that is where the need was greatest because we were going into the winter, which in the desert means still really cold nights, and they needed the heat.

A (Mr. Aschenbrener) Cooking, and hot water and showers.

Q If you had been able to obtain financing at a higher interest rate, do you have enough cash flow in the business that you could have paid, say, for example, two-and-a-half, three times as much per month to repay this loan?

A (Mr. Mikuteit) Well, this is an interesting question because we are addressing that kind of a situation now.

Considering the people that we have in the park, the park is carrying itself, but marginally so.

Any unexpected damages like equipment failures, failure of electricity and whatnot, we have to do it ourselves or finance it from our own earnings, which oftentimes does not go far enough and the repayment of the SBA loan puts us below the break even point.

What we are attempting to do now is--in fact, we have land behind the park--we are attempting to expand in order that we can generate more income and repay the loan and another loan, which we would like to obtain for the expansion, and here, we had to go on the open market, and we are running now into a worse problem.

We have now four mortgages, and nobody is going to even look at us, so we did approach SBA for a standard loan for expansion, but I have been told there is really, there are no funds available.

We have to operate at a marginal point of performance.

MR. POWERS: All right, gentlemen, we appreciate your coming down here this morning. It is by talking to people like you that have participated in the program that we are able to get some information that Congress can evaluate it, its continuation or changes in it. Again, we thank you for coming.

MR. MIKUTEIT: I certainly feel even the point that you mentioned about higher interest rates, when the needs are so severe that dozens of families are affected, the interest rate by itself isn't oftentimes the primary factor. It is just being able to do it or not being able to do it.

In our case, we would have had to close down.

MR. POWERS: Thank you, again.

(Whereupon, at 11:00 a.m. the depositions of Siegfried Mikuteit and Erwin Aschenbrener were concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

I, Siegfried Mikuteit, acknowledge that I have read the foregoing deposition and that it is true and correct.

Siegfried Mikuteit

Siegfried Mikuteit

I, Erwin Aschenbrener, acknowledge that I have read the foregoing deposition and that it is true and correct.

Erwin Aschenbrener

Erwin Aschenbrener

#30

Dennis
dmt
11:00

DEPOSITION OF CHARLENE WOODRUFF

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

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CHARLENE WOODRUFF

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address?

A Charlene Woodruff, 4020 Cortez Way, Spring Valley, 29077.

Q Mrs. Woodruff, you own Woodruff's Trenching, is that correct, you and your husband?

A Yes.

Q It was damaged in the disaster last year?

A Yes, it was.

Q Would you briefly tell us what was damaged? How much?

A Machinery that was in the low part of our yard was flooded; some trucks, tractors. Gee, it is hard to remember. Some damage to our office contents there. Fill motors, welders, things that we had in our yard.

Q Did you have insurance to cover any portion of your loss?

A No, we didn't.

Q As a result, you went to SBA and received approval of a $48,000 loan to repair this property, replace it?

A Yes.

Q You have only received part of it so far, so I assume you are still in the rebuiding stage, is that correct?

A Yes. We were given enough to cover the equipment that was damaged and lost and now we have some -- well, what we are going to do is grade and bring back our lot to a level hopefully where we won't be -- have this problem again.

Q Under the terms of your loan, you are paying five percent interest rate on this money when it is finally all disbursed to you?

A Yes.

Q You will pay it back over 15 years, which would give you a monthly payment of about 385, 386 dollars a month. One of the proposals that we are considering in regard to this loan program would be to increase the interst rate so that disaster borrowers, instead of five percent, would have to pay 14 percent, which is closer in line with what the government pays when it borrows money.

Although this is not going to change your loan at all -- you have already received your approval at the five percent rate -- if changed, it would affect others in the future. Had it been changed for someone in your situation, borrowing the $48,000 for 15 years would have resulted in a monthly payment of $625 instead of the $385. Would that have been feasible for you -- would it be feasible for you to make the payments in that amount, in the higher amount?

A It wouldn't be at this time, no.

Q Similarly, there is also consideration being given to limiting the loans to simply a portion of the loss so that if you had actually lost the $48,000, maybe you would have gotten a maximum loan of $25,000 or $30,000 and would have been expected to find another source for the balance of the money that was needed.

Would that be feasible for your company?

A Well, perhaps yes, this would have helped. It is really a difficult time right now in that construction is just at such a point and I suppose everyone has their problems; however, we have six large pieces of equipment that have to be placed on M-54 zoned property and it is very scarce and very expensive. I just don't know.

Q As I say, this is not anything that is going to affect your loan.

A I see. I understand.

Q You already have your terms there. Don't worry that you are going to get a higher bill or less money or anything like that. It is just a change being contemplated for the future.

A I understand.

Q Are you satisfied with the assistance that has been provided for you through this program?

A Well, yes. It seems like it took forever because we were, of course, expecting another winter. This was the thing that really kind of frightened us.

Fortunately we didn't have all that rain, so we -- by trying to get the water banked so it wouldn't come in on us so quickly, we were able to get by this year with no problem. But that was the only problem we found.

Q As a taxpayer, do you think that a program like this where we are making loans to businesses at five percent for the entire amount of their loss, is that a good use of your funds as a taxpayer?

A I guess I hadn't really thought about that.

Q Obviously in your own case you would much prefer to get a loan at a five percent rather than a much higher rate?

A Right. Yes.

Q So you have a personal bias there, but you are also a taxpayer.

A And I am a taxpayer, correct. This is certainly something. You never expect this to happen to you. When it does, you just don't know where you are going to turn or what is going to happen. That is certainly something to think over as a taxpayer. I am sorry. I don't know how to answer it.

MR. POWERS: Thank you. We appreciate very much your taking the time to come down here this morning and bringing your daughter.

THE WITNESS: Granddaughter.

(Whereupon, at 11:10 a.m., the deposition of CHARLENE WOODRUFF was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Charlene Woodruff, acknowledge that I have read the foregoing deposition and that it is true and correct.

Charlene Woodruff

CHARLENE WOODRUFF

#31

Carl/gay

11:15 am

DEPOSITION OF GEORGE KUDO

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

GEORGE KUDO

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q State your name and address, please.

A George Kudo, 33 -- home address?

Q Please, your home address.

3302 La Mirada Drive, L-A-M-I-R-A-D-A Drive, Vista.

Q Mr. Kudo, what is your occupation?

A Farming and nursery.

You have your own business?

A Yes.

Q What is the name of that?

A Just Kudo Nursery.

Q Where is that located?

A 3303 La Mirada Drive, Vista.

Q You were one of the unfortunate ones that was injured by the disaster?

A I am afraid so.

Q Would you describe what happened for us, please.

A Oh, we had a crop about six or seven acres down below when all this water from the top just washed down. It flooded me out and lost all my crop, which was a crop that I depended on to carry me through the summer.

Q How big an area do you have your nursery in?

A 19 acres.

Q 19 acres?

A On this one parcel, yes.

Q And it is flowers, plants, et cetera?

A Strictly cut flowers.

Q Just flowers?

A Yes.

Q Did you have any insurance to compensate for any of this loss?

A No.

Q All right, subsequently, then, you received a SBA loan of $59,700 to get your business re-established? Is that correct?

A Correct.

Q Before you asked for the SBA loan, did you look around to see if there was any financing available from banks, other sources?

A Yes. I had a PCA loan, Production Credit Assn. loan, but that was already applied for, and I think it was due, and I couldn't pay that back. They wouldn't allow me anymore loans until I cleared it up.

Q SBA was your last resort to get some money?

A That is right, yes.

Q You got your business re-established now or are you in the process of replanting?

A Oh, yes, it is all planted, ready to harvest.

Q Under the terms of your loan, you are paying 5 percent interest, and you will repay the loan in 26 years?

A Yes.

Q The $59,700?

A (Witness nods affirmatively)

Q You are making your payments on an annual basis, is that correct?

A Yes.

Q We are looking at some proposed changes in the program, and that would not in any way affect your loan. You have already got your loan. Your interest rate is already established and we have already determined the amount but for future disasters, one of the proposals would be to increase the interest rate. Instead of a borrower paying 5 percent like you are paying, he would have to pay 14 percent, which is an amount that is about equal to what the Federal Government pays when it borrows money.

This would have just about doubled the annual payment that you would be required to make if the 14 percent rate was in effect.

Do you think you could have doubled up on your payments?

A I think so. I think if a guy is really hurting, like me, I don't know about other people, I will pay the 14 percent and get the loan.

Q Would it have been feasible if you were only able to obtain a portion of the amount that was needed to re-establish your business. For example, in your case you needed approximately $60,000 to replant your grounds?

A Yes.

Q Could you have done it if you had only been able to receive, for example, $30,000 or $35,000? Could you have borrowed some money from another source?

A Well, that would only--I figure that would only pay my debt, what I owe the fertilizer company. That would get me off the hook, yes, but I would have to see if I could get more credit to do the replanting.

Q What do you think of SBA's program? Is it a good program?

A I think so.

Q Do you think it should continue at a 5 percent interest rate rather than increasing it?

A You mean the interest rate?

Q Yes, sir.

A Well, I don't want to tell somebody else what they should charge or anything, but as far as me, myself, I think I will still go and borrow, if I need it, and pay the 14 percent.

MR. POWERS: Okay. All right. Well, we appreciate very much your having taken the time to come down this morning --

THE WITNESS: My pleasure.

MR. POWERS: -- and telling us about your experience with the program.

THE WITNESS: It is a good program. It is a lifesaver, as far as I am concerned.

(Whereupon, at 11:20 a.m. the deposition of George Kudo was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, George Kudo, acknowledge that I have read the foregoing deposition and that it is true and correct.

George Kudo

GEORGE KUDO

#32

Dennis
dmt
11:20

DEPOSITION OF MRS. JOYCE THOMPSON

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

MRS. JOYCE THOMPSON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Thompson, I want to thank you on behalf of the Small Business Committee for agreeing to come this morning and give us your views on disaster assistance as you have received it through the Small Business Administration, and in giving us your views on certain proposals before Congress that might change this assistance, I want you to understand that the changes being considered are prospective only and will not in any way affect you, your business, or your loan from the Small Business Administration.

We simply seek your opinion on future disaster assistance proposals.

Would you, again, for the record, please, state your name, your business, and your position with the company?

A Joyce L. Thompson, Lakeside Radiator, 9764 Los Coches Road, Lakeside. I am the wife of the owner, Calvin

Thompson.

Q You are active in and familiar with the business?

A Right. I do the books.

Q Do you --

A Do the payroll.

Q Do you have a number of employees?

A One at this time.

Q Would you tell us, please, the type of loss you had and the percentage of damage to your business?

A Well, the whole place was under about three feet of water. There were many tools washed away; a fence was washed down. The building was kind of lifted a little bit, not the whole building, but a wall of it. One door was washed out.

The dog house was washed away. Our dog was retrieved, but we have not had one back there since then.

Q Extensive damage to real property and inventory?

A Right. The things in the office were all under water, which we had to throw away a lot of them. We couldn't even dry them out to where they were readable. Many of our files were just a mess.

Q As a result of uninsured loss of approximately $12,100, you received a loan from SBA for that amount?

A That is right.

Q I believe this loan is at an interest rate of eight and a quarter percent for a term of ten years and results in payments of approximately $152 per month?

A That is what they are now.

Q One of the proposals before Congress is to make disaster assistance to small business concerns available at higher rates of interest.

For instance, 14 percent might be the rate on a loan such as you have which would result in raising the payments from approximately $150 to $185 per month.

As far as recovering from a disaster, getting back on your feet in a situation where you might need some cash flow to become re-established, would you foresee that this would work a hardship on you in your business?

A Well, it was awfully hard for us to get back into the same amount of income at the time this occurred because we did not have savings.

We had a large family. Things -- as money came in, they usually went right out again. Yes, I think it would --

Q Would work a hardship?

A Yes.

Q In a situation such as you experienced, if the government were to have available for you no disaster relief whatsoever, no loan at all, would you have been able to recover, do you think?

A Well, the Lord always watches over us, I know that. The year -- prior year we suffered loss too. We didn't --

were not in a disaster situation. I didn't hear of any funds available to us anyway. We did recover from that, but two years in a row, it is a little hard the second time to recover. We had some friends that would have pitched in and helped if we weren't able to get the money.

Q Realizing that you might face that situation again, four, five years down the road, you would endorse having a government program?

A Oh, yes, I would.

Q To provide assistance to you?

A Yes.

Q And other taxpayers similarly situated?

A Right. I think it is necessary, though we do have flood insurance now.

Q Yes.

A We had to have that, of course, to get the loan.

Q Did others in business in the community similarly situated as your business experience benefit from the SBA loan program as a result of this, to your knowledge?

A I am sure there were several. I am not for sure the amounts or who they are. I know there were several that had applied at least. My husband said that he knows several that had already received their monies before we did. Part of their monies anyway.

Q Mrs. Thompson, I would like to thank you very much for coming in and sharing your views. I don't want to cut you off at all. If there is anything you would like to say about the disaster assistance you received that you think might be of benefit to the committee in its deliberations on future disaster assistance proposals, I want you to feel free to make that statement?

A The only thing that bothered me about the regulations, I guess it was, was that there was nothing allowed for the income loss. Of course, it was just to repair and put in the condition it was in prior to the -- the way it was before the flood went through. When you are in a business, if you don't have a cash flow on hand, it is hard to really get on your feet again.

I think maybe they should have a little bit of a better -- at least investigate the situation for individuals. That would be a big help.

MR. GRANT: Thank you very much.

(Whereupon, at 11:35 a.m., the deposition of MRS. JOYCE THOMPSON was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Mrs. Joyce Thompson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Mrs. Joyce Thompson
MRS. JOYCE THOMPSON

#33

Brad.
dmt

DEPOSITIONS OF DAN LIND AND PAUL KRANE

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

MR. DAN LIND
MR. PAUL KRANE

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Gentlemen, on behalf of the Small Business Committee, I want to welcome you and state that it is certainly appreciated,your coming here today to relate your experience in the recent disaster.

I do want to state again that any comments, statements, or any of the hypothetical situations we outline here this afternoon will in no way affect the status of your loan.

If you will, identify yourselves for the record, your organization and your position with your organization.

A (Mr. Krane.) I am the Treasurer of the Association.

A (Mr. Lind) And I am the President of the Association. 2510 Torrey Pines Homeowners Association. Our address is with the N.N. Jaeschke Company, J-a-e-s-c-h-k-e, on Complex Drive. Do you have the address, Paul?

A (Mr. Krane) Yes.

8923 Complex Drive.

A (Mr. Lind.) The reason I give you that address is that is where all our mail is received; they are our management company.

Q Would you state for the record the experience your association had in the recent disaster?

A Well, after the first severe floods of '79, it was noticed that our building was sinking and, of course, after these floods of '80, it sunk even more. The engineers we hired had estimated it had sunk about nine inches.

No one had any idea what it would cost to rehabilitate the building at that time because we felt we had to do foundation work, and then there were areas within the building that were affected by the sinking of the building, the hallways, walls, apartments, bathrooms, kitchens, floors, the roof.

We absolutely had no concept of what would be needed, whether it could be rehabilitated, and how much money it would take and how much time?

Q And how many condominium owners are involved?

A 57, so we applied to the Small Business Administration and initially they granted us a loan of $500,000 fortunately, and I say fortunately because they were the only people that seemed to be willing to help us in the whole area. That included the people that have insured the original builders, and it included the bank that had most of the mortgages on these condominiums. You want me to name them?

Q It is not necessary.

A Okay. Then afterwards we discovered it would take quite a sum in addition to the first $500,000, and we negotiated an additional loan of $500,000.

And then we only anticipated using $~~5~~950,000 of that money, is that correct, Paul?

K DP

A (Mr. Krane) Yes.

A (Mr. Lind) We started to pay the first loan initially in the summer of '80, and then we requested a delay in payment.

Well, I would say the spring of '80, we requested a delay in payment because we hadn't finished the work and we hadn't used all the monies that we had borrowed, and our request was granted.

However, the first of '81 we had to start to repay both loans because the balance of the monies that we borrowed went into escrow, and this was one part I don't understand, but anyway we are now repaying both loans monthly to the sum of what?

A (Mr. Krane) $6,000.

A (Mr. Lind) In the neighborhood of $5,000.

Q And the interest rate on those loans is?

A (Mr. Lind) They vary from three to nine percent. Parts of the first loan were three. Parts were seven and the second loan I think was 7 and 9, parts of it. We didn't get it all at once. We got 250, then we got 250,000, then we got 210,000, and then we got 240, or 240 and 210.

(Discussion off the record.)

A (Mr. Lind.) I would like to say, without the Small Business Administration we probably would have lost our property, and we are very thankful, and it is one -- I have read in the papers and I know that they have had problems in some areas, but I don't think that because there is one rotten apple in the barrel the whole barrel should be thrown away and I would be willing to go to Washington to testify on that basis. I feel very strongly about it.

I don't know if Mr. Krane concurs with me.

A (Mr. Krane) Definitely.

A (Mr. Lind) At the outset, our dealings were with Mr. Johnson, who is the attorney, and he was an exceptionally fine young man and later, when Mr. Magee came in, he seemed to be more bureaucratic by nature, wouldn't you say?

A (Mr. Krane) Yes.

A (Mr. Lind) Some of our requests to him, like we asked him to extend the escrow and things like that. He acquiesced after a while because it is our money and you can't pinpoint a repair job. I am sure you are familiar with what I am saying.

You can't say, we are lucky, we thought we would be finished the end of March, and here it is we are coming to the end of April and we don't think we will be finished until the end of May completely and we don't want to pay people because they have not done the work, nor do we want to return the money because we are going to use it.

What we don't use, we will gladly return. That is about all I have to say.

Paul, do you want to add something?

A (Mr. Krane) That about wraps it up.

Q You gentlemen are aware of these proposals in Congress that in a disaster situation, homeowners and associations similarly situated might be required to pay interest rates approximately double some of the rates you experienced with your SBA loans, and the availability of those loans would be somewhat restricted and I would assume from what you have said that since this was the only source to rescue you from this past disaster, even less assistance would be beyond the pale.

A (Mr. Lind) I have to agree with you. Whether the interest rates will rise or not is a matter that is not as vital as the fact that these loans should be available because no one else will come over and lend a helping hand, and if someone wanted to give that hand and the United States were to get out of the business, that would be great.

I am not saying only the United States government should do this but apparently they are the only ones who are willing to do it and I strongly recommend that this program not be changed.

Interest rates, we have to be practical about it, and I am sure we would have paid the current rates, wouldn't we?

A (Mr. Krane) Undoubtedly.

A (Mr. Lind) I don't know whether I am taking some thunder out of your shot, but some people probably couldn't afford the interst rates, higher interest rates, but when you are in a disastrous situation you have to take what you can get.

MR. GRANT: Well, gentlemen, again I would like to thank you very much for coming.

- - -

ACKNOWLEDGEMENT OF WITNESSES

We, Dan Lind and Paul Krane, acknowledge that we have read the foregoing deposition and that it is true and correct.

Dan Lind

DAN LIND

Paul Krane

PAUL KRANE

#34

dmt
12:15

DEPOSITION OF MR. AND MRS. KENNETH ANDERSON

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

MRS. SHERRY ANDERSON

was called as a witness and, after being first duly sworn, testified as follows:

MR. KENNETH ANDERSON

was called as a witness and, after first duly affirming, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Mr. Anderson, what is your address, please?

A (Mr. Anderson) 9718 Kenesaw Court, Santee; 92071 is the ZIP code.

Q Mr. Anderson, you suffered some damage from the disaster that went through here last year?

A Yes.

Q That was to your home?

A Yes.

Q Tell us what happened, please.

A We happen to be in a slide area in Santee and two, in fact, storms that came within a period of three years caused our hill to slide. Last year and then two years before that also, and we were privileged to be able to have SBA come to our assistance on the last disaster, which was in January through March, and we secured a loan, the maximum loan for relocation, which is $50,000 for relocation, and our house slid right with the rest of the hill.

There was about 32 houses or so involved in it.

Q Did you have any insurance coverage?

A I had insurance coverage, but our insurance man said it wasn't covered by the flooding disaster or earth moving like that.

Q You had insurance on everything else, but not what happened?

A Yes, that is what we were told.

Q All right, under the terms of your loan, you are paying 3 percent interest for 28 years?

A Yes.

Q One of the proposals that is under consideration is to change the program as far as future disaster loans are concerned and would increase it to an interest rate of about 14 percent? Had that type of program been in effect at the time you received your loan, your payment would have gone from something like $222 a month up to $580.

Do you feel that that would have been a viable program to assist you if you had to pay that much?

A Of course not, no, not at all.

Q We have asked you and some others to come down here simply because you are in essence, you have two hats on; one as a taxpayer and one as someone who has benefited from a program like this with the use of tax dollars.

In both of your positions or a combination of the two of them, what do you think of the program both as a taxpayer and somebody who has received assistance from it.

A I think it is a very fine program. From the very start to the finish I have nothing but praise for the program, really.

I think it is very professionally handled and I think it is a real good use of taxpayers' money really for people that are really in need of it.

Q It has definitely helped you?

A Very definitely. I could endorse it and like I said, I have nothing but praise for it. It is, in fact it is the only program that I have ever been involved in where my money, I have seen it come back to me and really be a help to me.

Q Have you talked to some of your neighbors? You said there were something like 32 involved?

A There are 32 involved in a lawsuit presently with the contractor and the county and things like that.

Q They also participate in SBA's?

A Some did, I understand. I am not sure of the status of everybody there, of course, but I know some did, and some I think are holding out to try and get profit through the lawsuit that they have going on it.

Q What comments did some of your neighbors make about the program? Are they satisfied with it?

A Well, we were kind of the black sheep of the neighborhood in one sense because we did not go along with the rest of the neighbors in going into the lawsuit.

I didn't particularly care for their structure of attorneys that they had, and their attitude of trying to take advantage of a situation, really find a deep pocket as it was put, and really milk it dry and so, since we didn't go along with their lawsuit program, we were just one of the few that didn't go along with it so we really didn't have too much communication with the neighbors after the slide took place.

They didn't particularly, like I say, like us for not getting involved with the band wagon there, so I didn't particularly care for that attitude, you know, of trying to take advantage of a situation and milk a pocket dry. Not all of them felt that way, but I think the majority were trying to be on a band wagon to get all they could get. So that is the reason why I didn't go along with it.

Q All right, is there anything that you would recommend in the way of change in this program?

A Nothing, like I say there is nothing negative that happened to us at all, except at the very end, we got our first bill, first statement for repayments and there was an error. There was a question. At first they were going to give us a loan at 8-1/4 percent because they didn't know if we were living in the house at the time of the disaster, which we were, and because of that error at the beginning, which was amended in our file and everything like that, it never caught up to the office in Colorado, I guess, and we got a bill for $384, you know, when it should have been $222.

That is the only paperwork thing that was really negative. We had to send a copy of our amended statement back along with a check that we sent in, but that is the only bad thing, but that is really just a paperwork error.

Q That has now been straightened out?

A I talked to the office in San Diego and they said they will send a copy of that back with our check. They will send it back to us at the office,they said, and be in contact with us. I am waiting to hear if everything is all right on that. It should be, because we have the forms and everything that show that the change was amended and everything. But like I say, that is really not a negative thing. That is the only thing that was a little upsetting at the end, but like I said, I have nothing but praise for it all the way through, really.

I know our tax money goes to good purposes, such as police protection and other things, but this is where I can really directly see a benefit that I have been able to enter into where the government has used my tax money to really personally help me in a direct way.

I have nothing but praise for the program.

Q Good.

Mrs. Anderson?

A (Mrs. Anderson) It was a really good experience. It is something you never want to have happen to you, but once it does and the assistance is there, it was really great. The promptness and how they worked with us and showed us how we could relocate into another home was very good. I was very pleased with it.

A (Mr. Anderson) I would like to add a note of praise. The gal that handled it at the end for us, her name was Mary Gillette, and she was so personable to us, and such a warm individual. Like I say, this is the character of the people that are in the program. Nobody could have anything but praise for the program. In fact, I kept her card here and wanted to bring it in and just mention that specifically. She was a real, personally involved help to us.

MR. POWERS: We are always glad to hear something like that. We thank you for taking your time to come down here today, and we do appreciate it. It helps us to evaluate programs.

MR. ANDERSON: I appreciate it.

(Whereupon, at 12:25 p.m. the depositions of Mr. and Mrs. Anderson were concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESSES

We, Kenneth and Sherry Anderson, acknowledge that we have read the foregoing deposition and that it is true and correct.

Kenneth Anderson
KENNETH ANDERSON

Sherry Anderson
SHERRY ANDERSON

#35

Dennis/gay
12:25 p

DEPOSITION OF JAMES M. RANSDELL

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

JAMES M. RANSDELL

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please.

A James Ransdell, 525 West Crestview, Corona, California.

Q What is your occupation?

A I own a manufacturing company.

Q What is the name of that?

A Pacific Fireplace.

Q Where is that located?

A That is located at 8050 Jolora Road, Corona, California.

Q You were unfortunate enough to be caught up in the disaster that occurred out here last year?

A That is true.

Q Would you describe what happened for us, please?

A We were -- our former address was located in an area that was flooded by the Lake Elsinore runoff, essentially. We are 20 miles from Lake Elsinore. We were in an area that the drainage caused severe flooding, and our building at that time was under 14 inches of water for a period of about ten days. All of the -- including all the surrounding acreage.

Q Did you have any insurance on the property?

A Not for flood damage, no, sir.

Q But you were probably covered on everything else?

A That is true; act of God.

Q AS a result, you received a SBA loan for $37,900 to take care of the replacement of the damage?

A That is correct.

Q You moved your business and re-established elsewhere?

A Yes, sir, higher ground.

Q Both as a taxpayer and as somebody who has participated in this program, what do you think of it?

A I think that I would not be in business today were it not for the loan; not just because of the amount of money, but also because we suffered more loss than the amount of the loan, but it encouraged our suppliers and creditors to feel that we were going to recover and to extend us longer terms and to continue working with us at a time when we were in a severe crisis.

We were out of productionfor seven weeks, and even our customers stayed with us, partly because they felt that we were going to get some assistance and would be there at a future date.

I think it was not just significant, but critical in insuring our survival as a company.

Q How many employees do you have?

A We have at the present time about 24.

Q How many did you have at the time of the disaster?

A 38.

Q Is the decrease attributable to the disaster?

A Attributable to the cash problems that we had resulting from the disaster, and also to the slowdown in new construction which, as the primary consumerof our product, new housing is down to some extent and our business is down to some extent because of it.

We need -- we are on a fairly substantial expansion program. That was at the time of the disaster. That was pretty much curtailed by the combination of the cash problem and the fact that our primary market has slowed down in its consumption. It is a combination of both circumstances, I would say.

Q When you said earlier that you would have been out of business without the SBA loan, it would not only have been the harm upon you, but upon your employees that you have at this time?

A That is true, plus there would have been some other consequences to our suppliers. We really would have essentially used profit during the time since the disaster to pay our way out of the consequences of the disaster. The loan did not cover the entire amount of our loss, but it was substantial enough to, when put with our other earnings, that we were able to satisfy our creditors and continue in business.

Q Do you think you would have been able to get a loan from any other source if this had not been available?

A No way. I talked to the bank I have been dealing with for a period of six years, and their attitude was when you recover, call us. Until you recover, we are not -- in other words, we are not in the business of risking money. We are in the business of loaning money for essentially a guaranteed return.

At that point our future was nebulous. In spite of the fact that they had loaned money in the past, we had an amiable relationship, there was no -- really no consideration given by them and they were obviously our best source of potential recovery money.

There was no consideration given. They just simply said when you get straightened out, we will be happy to talk to you. I don't feel there was any other source.

Q Sir, anything else that you would like to add?

A No. I think that pretty much covers the way I feel.

MR. POWERS: We appreciate your taking the time to come down here today and tell us of your involvement in the program. On behalf of the committee, we appreciate your having done so.

THE WITNESS: Thank you, very much.

(Whereupon, at 12:35 the deposition of James M. Ransdell was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, James M. Ransdell, acknowledge that I have read the foregoing deposition and that it is true and correct.

JAMES M. RANSDELL

#36

Dennis/gay
12:55 pm

DEPOSITION OF KRIS COXSEY

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

KRIS COXSEY

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Coxsey, I would like to thank you on behalf of the Small Business Committee for coming this afternoon to give us your views on the disaster assistance you received. I want to be sure you understand that anything you say as to the assistance you received or your views as to any changes which might be made in assistance because of congressional action on certain pending proposals will not in any way affect your loan. Thatis a contract with the government. We will not tamper with that at all.

Could you state for the record your name and address of the home that was damaged?

A My name is Kris Coxsey. The address is 15114 Oak Canyon Road, Poway, California, 92064.

Q What was the type and extent of the damage?

A The damage consisted basically of property -- or totally of property damage. A bridge washed out and our access road washed out, so that the access in and out would be pretty much impossible unless it was by four-wheel drive.

Q And the percentage of damage would be, in your estimate? It was not total damage, but what percentage?

A Well, the total value of the property is probably around $225,000, and probably the damage was about 20, so it is basically the access road. A little more than 20.

Q The extent of your uninsured damage as reflected in the loan which you received from the Small Business Administration was approximately $26,800?

A That is correct.

Q On that loan, your payments are now approximately $189 per month based on that 15-year maturity. Under certain proposals pending before Congress, the interest rate for a loan to homeowners might go to 14 percent. In your particular situation, that would result in payments increasing from $189 per month up to $350 per month.

What would be the effect on you, the hypothetical situation I described?

A After the fact? Like if you were saying to me now after I had already put it through at --

Q Again?

A Initially, to start all over again, if we had the same kind of damage, but if the interest rate were 14 percent instead of 3 percent, I would probably say the fact that we could get the money at that particular time in addition to what we had, we probably still would go ahead with it and try to get it. That was really the only place that we could go at that time to quickly get the damages paid for so that we could continue to get to and from our home.

Q In other words, you feel if the Small Business Administration had not had a program of homeowner disaster assistance available to you that you might not have been able to get the financing on reasonable terms in the private sector to do --

A That is right.

Q Then if I understand what you said correctly, you are in favor of continuing disaster assistance loans to homeowners under the government?

A I really think that it provides an area where homeowners might not be able to go, for instance. We just had our loan, so to go back to the bank and ask for an additional amount of money, they probably would not have given it to us. Not that the property is not of value, but it would have taken them a long period of time to get around to it.

Through SBA it went much more quickly. 3 percent interest is tremendous, but the need was there. I think the fact that it is available quickly as opposed to going through a whole lot of red tape is of more advantage to that program than going to the bank.

Q I see. I take it you were satisfied with the response you got from the Small Business Administration?

A Yes. I thought the legal part -- the handling of the legal part was very, very good. All of that, the only problem they had trouble with was in the final disbursement, their inspectors didn't come out. I think it is a problem we face with any employees in any -- whether it be government or private sector. Some people you hire for you in these kinds of conditions don't follow through and just don't do their job.

As far as the administration part of it in Vista was concerned, it was extremely well-handled. We were both extremely pleased with it.

MR. GRANT: Thank you. I am glad to hear that.

(Whereupon, at 1:00 p.m. the deposition of Kris Coxsey was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Kris Coxsey, acknowledge that I have read the foregoing deposition and that it is true and correct.

Kris Coxsey

KRIS COXSEY

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CArol/gay
1:15 pm

DEPOSITION OF MIKE BELL

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

MIKE BELL

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Would you state your name?

A Mike Bell.

Q Business?

A Our business is ~~C~~kampgrounds Enterprises, Inc., doing business as San Diego Metropolitan KOA.

Q On behalf of the House Small Business Committee, Mr. Bell, I would like to welcome you and say that we certainly appreciate your coming in to give us your views on the experience you had with government disaster assistance, and also your opinions as to certain pending changes that are before Congress in regard to that assistance.

I want you to understand that any statement you make today will in no way change or vary the terms, et cetera, of your loan, and we simply are here to seek your opinions and in no way affect assistance you receive.

A Right.

Q How many employees at KOA?

A We have seasonal variations. The average is probably about 13 to 14.

Q And would you briefly describe as a result of the disaster the type of loss you had and the percentage of that loss?

A Based on what?

Q The type of loss you had, first of all.

A I guess our loss was primarily in two areas. One was damage to a property and the other was loss of business.

As far as the monetary damage to the property, I don't have the figures right at hand. The damage that we had was mostly involved with our inundation and causing our pavement to fail so we had to replace paving, which that segment of it -- I hate to give a figure because I don't have it right on my fingertips. I can get it, if you need it.

As far as a percentage of value of our total business, it was fairly small.

Q But in any event, as a result of uninsured loss of approximately $25,000 -- strike that. Let me rephrase that.

In any event, as a result of uninsured loss, you received a loan from the Small Business Administration for $25,000?

A Yes.

Q And on that loan you are paying approximately $540 per month?

A $540, yes.

Q Fine. As I said before, there are proposals before Congress to make certain changes in the disaster assistance available from the Small Business Administration to small business concerns.

One of those changes would result in the interest rate on the type of loan you now have being approximately double what it is.

A At the present time, I believe we are paying 8 percent. So, they are talking about bringing them up to near current market rates?

Q Something less than that, but the question would be as to the effect you think that would have on your business and ability to recover after a disaster.

A For us, faced with that choice, we probably would not have sought the loan.

In our particular case, you know, having or not having the loan didn't decide whether we were going to go out of business or survive. We weren't damaged enough that it was seriously threatening the survival of our business operation. It was most helpful that we had it, but at those interest rates we probably would have passed.

Q So you are stating -- and I don't want to put words in your mouth -- that for a government program to be meaningful to you in your situation it would have had to be at substantiall the rates you are now paying?

A Yes, that is true.

Like I say, at 16 percent or at a rate maybe two or three points below whatever the current rate is, I don't know what their details are and what they are planning on doing, but that we would have, in our particular case, would have done it.

A lot of our damages, we felt, were directly caused by actions that the state took in our area some years ago, and we are in litigation right now to recover the monies that we had to borrow from SBA, and pending that litigation, if we are successful, that money will pay that loan off in about two years, which is why I say, our backs weren't totally against the wall before we applied for it, so that is why we wouldn't seek it at that interest rate.

Brad.
dmt

Q In the event -- again this is hypothetical -- that flood damage resulted in the total destruction or loss of your business, I am sure you could appreciate the difference in having assistance available from the government at approximately what you are paying now as opposed to paying as much as double for that assistance, would you think you would have a total loss if what you had left was an uninsured loss, that you could have carried it at the market rate or would you need the government assistance to get by?

A It is a tough question to answer because we are making some very drastic changes in the campground right now.

At that time, had we been wiped out, we would probably have taken it, you know, to keep us going, at least to rebuild.

Right now in the position we are in, we are expanding the campground and we, as a matter of fact, have an SBA guaranteed loan for development, and faced with the prospect of, you know, well, thinking about it, if we had been totally wiped out, we would have probably opted for whichever loan would have been less expensive to get us back in operation.

Chances are we would have tried to go for the loan that we have now, even though the rates may have been slightly higher it would have given a little more latitude as far as upgrading rather than strictly replacing what we had.

Q Again you do endorse the availability of the government assistance program as something valuable to the taxpayers and whatever their expenditure when a disaster hits.

A Yes, I guess I have to say we take what we could get, and if it was three or four points below current market rates, that would be better than anything else.

Q Do you have another loan from the Small Business Administration?

A Yes, we do.

Q You have been satisfied with the disaster assistance and your lending assistance from the Small Business Administration?

A I have to say it was a real quagmire of red tape. We spent hours and hours/preparing the loan documentation requested. It was worth it. Once we got past certain ~~loans~~ POINTS in the loan application process, I have to give them credit. They did actually a pretty good job. They were able to make decisions fairly quickly and I know they prioritize some of their loan application processing depending on need and the urgency of getting the loans finished and ours probably was not a very high priority loan, so I think that is one of the reasons why we waited longer than probably some people did.

Overall, I was satisfied.

MR. GRANT: Fine; glad to hear it. We can end now. Thank you very much, Mr. Bell.

(Whereupon, at 1:25 p.m., the deposition of MIKE BELL was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, MIKE BELL, acknowledge that I have read the foregoing deposition and that it is true and correct.

Mike Bell

MIKE BELL

#38

1:35
Dennis
dmt

DEPOSITION OF CANDY ANDERSON AND DONALD SCIGLIMPAGLIA

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

MS. CANDY ANDERSON
MR. DONALD SCIGLIMPAGLIA

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Would you state your names for the record?

A (Mr. Sciglimpaglia) Donald Sciglimpaglia.

A (Ms. Anderson) Candy Anderson.

Q On behalf of the House Small Business Committee, I would like to thank you both for agreeing to come and give us your views on disaster assistance you have received. In light of that assistance, your views on certain proposals now pending before Congress.

I believe you understand any statement you make will have no effect on the disaster assistance you are presently receiving. Would you state for the record your experience in the disaster?

A (Mr. Sciglimpaglia) We had a landslide situation that affected six homes, two of which were on the top part of a slope and four at the bottom part of a slope.

After the rainy season, we experienced a slope failure and the landslide directly affected the four homes at the bottom and put the two homes at the top in jeopardy of continued erosion and damage to the houses themselves.

Q You then decided as a group to approach the Small Business Administration in regard to what disaster assistance might be available?

A That is right. We investigated forming, I guess, an official homeowners association and ended up basically applying as a group of homeowners, but not in a legal form.

Q As a result of that application, the members of your group received disaster loans of approximately $14,500 each, is that correct?

A (Ms. Anderson.) Some somewhat less. That was the initial request. There was a --

A (Mr. Sciglimpaglia) I think the range was $11,000 to probably $14,000.

Q I believe the interest rate on all the loans was the same, three percent?

A (Ms. Anderson) No. There was actually one property owner who rented. His house was rental property. I am not exactly sure what his interest rate was. I think it was eight.

A (Mr. Sciglimpaglia) Yes.

Q That would have been the difference for one who owned it as investment property.

The maturities on these loans varied?

A Yes.

Q I believe the highest maturity I know was 20 years.

A (Ms. Anderson) I am not really --

A (Mr. Sciglimpaglia) I don't know.

Q Could you speak for your group as to the reaction the homeowners might have to a proposal? Of course, your opnions and your groups' opinions. I am sure you discussed this among yourselves, the assistance you received -- as to the result of the Small Business Administration disaster loan program to homeowners being available at an interest rate of 14 percent as opposed to the three percent the group presently pays on their disaster assistance?

A (Ms. Anderson) I think there are a lot of people who are in a situation where they would not be able to afford that kind of an interest rate. I don't know whether the intent is to key it to the prevailing rate or not. There is a tremendous advantage to having it at this low rate. I can see, however, that it need not be this low.

For example, it used to be three percent was lower than others, but not unbelievably low as it is now.

I would not be opposed to a program where disaster assistance was loaned out at a rate of maybe five points below prevailing interest or something like that.

I think there is justification for having it lower. But three percent money you might argue is not even enough to pay for the paper work.

A (Mr. Sciglimpaglia) I would like to comment in maybe a different fashion. I think based on our experience, I think if the rate were 14 percent, I doubt that we would have been able to put people together in this group as we did without either a lawsuit or multiple lawsuits or threats of a lawsuit or what-have-you.

I doubt if we would end up with what turned out to be a fairly reasonable voluntary process, although at times maybe an anxiety-producing process. I doubt if we would have had the voluntary participation, the reason being that I think at least the potential for being able to borrow the money at what seemed like a fairly reasonable rate in terms of how it would fit into a budget at least made sense to some of the people in the group who were somewhat elderly, for example; some were on virtually fixed incomes. Unless at 14 percent, unless the maturity rate was extremely long, I doubt that some of the people in the group would have agreed to participate.

1

A (Ms. Anderson) Yes, I think that is quite true.

The other problem we have is our properties have been there about ten years, which means that there are people of quite diversified incomes living in that neighborhood. That means that some of the people have quite a low house payment even though the properties have a market value that is quite similar.

Particularly for those individuals it would have been quite difficult for them to afford that kind of interest rate.

Q I would surmise from your group's approach to assistance to your community you do recognize and endorse a government program that is available in times of disaster to assist homeonwers? I would surmise that a mudslide could have been considerably more serious and possibly take your homes away entirely, in which case your uninsured loss, I assume again, would soar.

Then given a much larger loan being necessary in a much wider disaster situation, then the impact of a 3 percent versus a 14 percent or market rate would be considerably more than it was in your particular situation at this time.

So that all I am saying is that if in future disasters, your mudslide or flood were extensive, you see a value in a government program that would be available to assist homeowners?

A I think there are lots of situations that were like ours in that the disaster was more or less contained by the expeditious nature of the repair. In other words, if we had let

2

that situation sit there for another year or two, the potential for it to be tenfold as expensive was there.

A (Mr. Sciglimpaglia) In addition to that, my personal feeling -- I guess more an opinion, but my personal feeling regarding that situation is this: We applied for the disaster loan money and we thought we had a pretty good probability of getting the money from the government.

Well, we didn't know based on the funding situation. My feeling is that if the money didn't come through or hadn't been made available that we probably would have not -- certainly as a group -- not been able to do the work that was necessary to put it back together, which really could have some tremendously disastrous consequences if one of the homeowners, for example, had decided just to walk on the situation, what have you.

So, I think at least offering the possibility of being able to borrow that money almost regardless of the interest rate as long as it were within reason I think certainly had a great psychological advantage to being able to put us back into the game, so to speak.

Q I would certainly like to thank both of you for coming and giving your statements. I am sure the views you have of the assistance you received will be very helpful.

If there is anything else you would like to state for the record regarding the assistance or any of the proposals I mentioned, certainly feel free to ~~do so, but~~ in lieu of that, again, thank you so much.

(Whereupon, at 1:45 p.m. the depositions of Don Sciglimpaglia and Candy Anderson was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Don Sciglimpaglia and Candy Anderson, acknowledge that we have read the foregoing deposition and that it is true and correct.

DON SCIGLIMPAGLIA

CANDY ANDERSON

#39

Carol/gay
2:05p

DEPOSITION OF JEROME KLEIN

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

JEROME KLEIN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please?

A Jerome Klein, 6704 Castleberry Way, San Diego, California, 92119.

Q Mr. Klein, are you the owner, operator of ARC Electric?

A I am.

Q And your business sustained some damage due to a disaster?

A That is correct.

Q Would you tell us what happened, please?

A We had some extensive wind damage in the February 1980 period which caused the destruction of a great number of our products that were kept in storage in the lot that we lease for the purpose of storing plastics and other materials that can be exposed to the elements without some harm.

Q You are what, a retailer, wholesaler?

A We are a distributor, wholesaler, as such.

Q As a result of this, you obtained two SBA loans, is that correct?

A That is correct.

Q Now, one of them, I see here, is for $132,400 at 5 percent interest repayable over 15 years. Is that correct?

A That is correct.

Q And that was to take care of the actual physical loss of your property itself?

A Correct.

Q Now, in addition to that, was this other loss physical loss which was insured?

A No, there was no insurance.

Q No insurance?

A No.

Q All right. Now, on the second loan, this was an economic injury loan resulting from loss of business due to the same disaster?

A Not loss of business, Mr. Powers, but loss of a position resulting from a cash flow interruption, if I might say, in which we didn't have the opportunity to discount our bills and eroded our capital position in between the period of the loss and the actual coming about of the loan.

We had a capital impairment, is the terminology that could be utilized.

Q Your business was off as a result of the disaster?

A Exactly.

Q Okay. And this economic injury loan was made for $69,000 repayable over 12 years at 8-1/4 percent interest, I believe?

A That is correct.

Q Mr. Klein, what do you think of the SBA loan programs?

A I think it is an excellent tool.

I was pleasantly pleased with the cooperation of the personnel that I came in contact with at the disaster office in Vista.

I expressed this particularly to the gentleman who serviced the account. They were pleasant. They were cooperative, attentive.

The only problem--and I say this not so much as a criticism because frankly I am very enamored with the job that the disaster group has done for my concern. I say this hopefully as a suggestive improvement in the future program. In the time element between the actual presentation of the situation and the receipt of funds was lengthy.

It would have helped my position tremendously if we could have realized those funds within a three-week to a month period instead of having to wait from that February period through until July. I hope they take that in the sense of corrective criticism, not abusive criticism. That is not my intent.

dmt

Q I appreciate your comment there.

To put this into perspective, if you had a $132,000 physical loan in property, what type of relationship does that bear to the value of your business? Are we talking about a ten percent loss, a 50 percent loss, or what?

A Well, I guess you could look at the correct ratio of the overall inventory of my business, which approaches close to $600,000, and say that the $130,000 loss represented probably 20 percent of my inventory that was exposed to it.

Q Your business has other values? Do you own the land or the buildings or anything like that?

A No, we lease those. Our business obviously has other values in trade association names representing these various manufacturers. We have been in business since 1962.

Q As far as the physical assets themselves, this loss amounted to about one-fifth of all of your physical property?

A That is correct.

Q Now, under the terms of your loan, you are paying five percent interest?

A That is correct.

Q On the physical portion of it?

A Yes.

Q One of the proposals under consideration would be that we modify the program and increase the interst rate to about 14 percent on the physical portion.

Now, this wouldn't affect you directly on this loan because you have already got it.

A Yes.

Q We are not talking about changing your loan.

A Yes.

Q But if this type program change was made, it would mean that your repayments would go from $1,064 a month to about $1730, were you to come in and borrow $132,400 in the future, if somehow we duplicated the disaster you have incurred.

What type of impact would that have on your business?

A It would have definitely a negative impact from the cross factor itself, because we did not only suffer the economic physical loss, but the loss also was compounded in other ways, and by adding to that loss an increased cost of the loan, it would have cubed our disaster costs.

That seems like an obvious answer, asking any individual instead of paying five, how would you like to pay 14, and I understand what you are hopefully looking for and I am saying it is not only the 9 percent spread.

In that particular situation, where we are burdened with an unforeseen kind of disaster, it could have been extremely difficult to do a better job.

Q All right. Now, in some respect, we might say that you were somewhat fortunate in the disaster in that you only lost one-fifth of your property. Would it even be feasible for you to go back into business at 14 percent rates if you had lost two-thirds or three-fourths or all of it?

I know this is just a hypothetical but, of course, the same terms are available to everyone regardless of the percentage they have lost, and in your case, let's say if you look at it from one standpoint, you are fortunate, although one-fifth is gone, four-fifths remained.

A I would have had to curtail my operation because of the cost factor involved.

We have good people and some of these people would have had to be sacrificed, no question about it.

Where we were able to maintain a staff of highly qualified people, technically minded people who are very close to approaching electrical engineers in the field, and for them to be replaced at a future would have been extremely difficult so again we are cubing a situation.

Having to cut the staff because of the economy involved, and then later on when we recoup an even level, to go back into the field and try to find those people would have been a double burden, very difficult.

Q You have earlier commented upon one recommended change involving the program, namely the processing time.

A Yes.

Q Since the disaster until you started receiving disbursements?

A Yes.

Q Is there anything else that you would recommend that we change or at least look at from your experience?

A I know the disaster loan was based upon physical loss, and I have no argument with that.

I do have a point of feeling regarding the fact that it should be beyond mere physical loss.

There are, there were other things that were involved such as how I had to go back to the economic disaster program.

The loss of material in itself was hard. Then to go back into the marketplace and replace it at a different figure was also difficult, and having to lose the business in between with our clients who,regardless of the loss as a result of the disaster, still had to have products; and when I couldn't provide it obviously they went somewhere else so there was a competitive loss which comes back into economics in dollars and cents and I have really tried to analyze what was the loss over and above the physical loss itself, and in analyzing it with my CPA in talking to him on the loss of business, we determined there must have been an additional 30 to 50 thousand dollars worth of lost gross profit dollars involved.

Q This would be over and above the physical loss, but is it over and above the amount of your loss in sales or however you want to term the amount that you received a loan for under the economic injury portion?

A Yes, because, see, the economic injury resulted later on because of the time spread.

If I would have had my choice at that point, I would have liked to have had--because we could foresee what was going to happen--I would have liked to have had at least an additional funding to hopefully take care of these other matters.

We were already losing business when I went there to apply for the money.

I think it would be worthwhile to have the SBA disaster people also consider not only the physical but the other elements involved in mass business affected by disaster.

Q Okay. Is there anything else?

A No, except to reiterate the people were extremely cooperative and it increases my viewpoint as far as government activities in a positive level.

There are too many negatives that we hear surrounding us, and my own personal exposure has discounted that immensely.

MR. POWERS: Well, Mr. Klein, you have been very helpful.

THE WITNESS: I appreciate the opportunity to speak up, Mr. Powers. I hope we don't have anymore disasters, but in the event something else does come about, I hope some of those things could be taken into account. They could benefit some of my compatriots.

(Whereupon, at 2:15 the deposition of Jerome Klein was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Jerome Klein, acknowledge that I have read the foregoing deposition and that it is true and correct.

Jerome Klein

JEROME KLEIN

#40

Dennis/dmt
2:20pm

DEPOSITION OF CHARLES WALLACE

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

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CHARLES WALLACE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record?

A My residence or business?

Q Either one would be fine.

A Charles Edward Wallace. My residence is 4518 Seminole Drive, San Diego, 92115.

Q What is the name of your business?

A Tree Gold, Incorporated.

Q What type of business is that?

A Well, we are a manufacturer and a distributor.

Q Of?

A Well, we manufacture -- we package and bottle juices. We distribute it to restaurants and cocktail lounges for cocktails.

Q I understand -- this is a business that you have recently moved, is that correct?

A Yes, that is correct.

Q Describe the situation that necessitated your moving.

A You want me to start from the beginning? You might as well have the whole picture.

We moved to this location that we were displaced from in 1969. We took a lease on this property with an option to renew.

In 1976, I believe, urban development purchased this property and at that time we were the only tenant in the building. This building held four different businesses. So the urban development didn't want to leave the property vacated for vandalism, one thing.

They felt if it had a tenant in it that someone would oversee it. So at the time that the city took this property over, they explained to us that we had about six months to stay there.

What happened, the development was set up in two stages. The city had one section of the development or phase one of the development completed, and economic conditions I guess at the time-- they couldn't find another developer to take care of the second phase.

The one that had the whole thing couldn't handle the second phase. So, as a result, we stayed there another four years.

At the time that the city approached us on this, they advised us that they would help us relocate, find equal, better facilities than what we had where we were before. So, about last August we were notified that they had a new developer who wanted to take this property over, but they had to have everything vacated so they could move in and start their development.

Well, we searched and there was suitable property, but it was at a price we couldn't afford to pay.

In other words, I thought it was better off going out of business than getting into something of that nature.

Q May I interrupt you here? When you say better off going out of business, do you mean because of the price of the property or the terms?

A No, sir, to stay in business, I would have to find something that we could afford and take care of at the same time. So, as a result we made application for a small business loan under displaced persons and we started in August of that year -- last year -- and, well, it took about four months, paper work, figures, and records that they wanted to support any loan application, and, as a result, we were approved and it has kept us in business.

We have eight employees. They are still working. I wouldn't want to go through it again, but I think in all fairness I have been treated right through this program.

Q Under the terms of the program, you received a loan of $292,000 at nine and a quarter percent interest for 30 years?

A That is correct.

Q If the program had not been in existence and the only thing available to you had been a loan at, say, current market rates, 18, 19 percent, would it have been feasible for you to move your business?

A No. It wouldn't have been. Unless I wanted to work for nothing. If I had wanted to work for nothing, I might have been able to do it.

Q In other words, the SBA loan then allowed you to continue in a new location and to continue to provide employment for eight individuals, plus yourself?

A That is correct.

Q I assume from that you would endorse the program and favor its continuation?

A I would, 100 percent.

Q Is there anything else --

A From my own experience I would hate to see something like this fall through with the Small Business Administration for the simple reason that a lot of people have put everything they have got into their business. For something of the nature that I went through, it would be -- well, it would put them in bankruptcy is what it would come to, to make a change, especially after being established in a location for, say, ten years.

It generally -- any business starting out, it takes about five years before you realize anything for yourself. You are putting all the effort into it. You are paying your taxes like everybody else. It takes about that long before they realize anything for themselves. It is a thing where you are dedicated to making a success out of something and getting it going.

Like myself right now, I have got 20 years in this business and, of course, most everything I have got is tied up in this thing, too.

Q Whatever happened to the old property? Was it urban

2 renewal?

A HUD. The area -- it is not far from here, it is on top of that hill over there -- it was the first shopping center in the United States that Eleanor Roosevelt even dedicated. That is going back a few years.

Q This was when you were in there before the city took it?

A Well, I didn't move in there until '69, 1969. This property--well, the whole area was built around 1943, '44, and the building that we were in had been a neighborhood gymnasium boy's club more or less. It was a building that eventually was put into supermarkets at the time.

The area around there is all government -- or was government housing during World War II.

Q What is the property being used for now?

A Right now there is a skating rink, a painting contractor, and there is an Oriental food store in there. The skating rink will be maintained, but these other places have to move, also.

Q Mr. Wallace, we certainly appreciate your having taken the time to come down here this afternoon.

A I am glad to have done it.

MR. POWERS: Thank you very much.

(Whereupon, at 2:30 p.m. the deposition of Charles Wallace was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Charles Wallace, acknowledge that I have read the foregoing deposition and that it is true and correct.

Charles Wallace

CHARLES WALLACE

#41

Carol/gay
2:40pm

DEPOSITIONS OF MR. AND MRS. DAVID WITTMAN

Wednesday, April 22, 1981

SAN DIEGO, CALIFORNIA

- - -

DAVID WITTMAN

LINDA WITTMAN

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Who was it finally volunteered to speak, Mr. Wittman? State your name.

A David H. Wittman. Okay. Address is 3804 Byrd Street, San Diego.

Q Mr. Wittman, you were unfortunate to sustain some disaster damage?

A Yes.

Q Would you describe what happened for us, please?

A They opened up the dam and came down and flooded the low-lying plain. They call it a riverbed now. When we moved in, we were unaware that it was a riverbed or anything when we bought the home. It was on a military base or a part of a base that had been sublet to the Southwest Little League, and this is where we had a mobile home.

Q Did you have any insurance to cover part of the loss?

A The only insurance that was there, and it wouldn't cover anything due to flood. They covered some damage done after, or what was left after the disaster.

They covered an awning and vandalism, but they took shotguns and blew holes in the side of what was left. The insurance told us, $1,800 is what we ended up with.

Q As a result, you went to SBA and received a disaster loan of $27,300?

A Yes. Whatever the figure is. You would know better than we would.

Q Sometimes I am not sure.

A Yes.

Q You look at so many of these, and numbers get transposed.

Are you back into a new trailer?

A No, we got with the SBA and converted the loan from a trailer to buying a home. We used the money that they gave us to appropriate another trailer or whatever. We turned around and they signed a waiver that we could use the money for a down-payment on a home, so that is where it ended up at.

Q Okay. Under the terms of the loan that you are repaying, you are paying 3 percent interest.

A Right.

Q For 28 years, which translates to $122 a month.

A Right.

Q Among the proposals that are now being considered to modify this program is one which would increase the interest rate to 14 percent; not on your loan, but on owners that came in after the time the change was made.

I am going to ask you what may sound like a silly question as to whether or not you would like paying 14 percent rather than 3 percent if it was situated, but aside from the obvious answer to that --

A Okay. To be truthful and very honest, I wouldn't mind paying as high as 18 or 21 percent as long as money was appropriated like it was for us because to qualify to buy this home was might near impossible without the SBA's help.

A (Mrs. Wittman) I couldn't have qualified.

A (Mr. Wittman) I couldn't have qualified for the loans, even to get into a home. Well, yes, I could have bought another trailer or something like that. This was a really funny situation like this because it was a trailer on military property, sublet to a little league field, and we were there like caretakers, but in order to get there, we had to buy the existing trailer on the property.

Would I have bought in that area if I had known what was going to happen? No, never, and we were never advised of this or anything else, and we were not notified when the flood hit or anything else.

You know, we were just there, and the water was four feet

feet deep before we ever started moving because what we did is, what you got up and got ready to go to work about quarter to seven and by 7:00 we were under water. I mean, we were afloat. My mom was out from New York, and we had to put her in a hotel and everything else, and they had bought a motor home out and we got some of the personal things we could latch a hold of, like changes of clothes and some of the jewelry. By the time we determined to come out of there, the water was on the motor home hood, about four feet.

Q To go back to the interest rate for a minute, you stated you would not object to paying 18 percent, in that range. Do you feel you could afford to pay that if it meant doubling or tripling your monthly payment.

A No, probably not.

A (Mrs. Wittman) No.

Q Although you wouldn't object to the interest rate impact on your cash flow would make it prohibitive.

A You would starve to death, if it had to be.

Q Okay, what did you think of the program? Did it help you?

A I would say yes, in general, yes, other than some of the run-around we got. Basically yes, it helped. It had to help or we wouldn't have a home today.

Q Could you suggest any changes that you would recommend be made in it?

A We could start with yesterday, being there when they are supposed to be there.

A (Mrs. Wittman) That is FEMA housing. Not SBA.

We have got a run-around between you people and the housing part, okay.

You guys sent us a letter asking us for receipts and everything prior to when we got our temporary housing, okay.

We were, therefore, denied our money from you people.

They did not turn it over to the housing people which the housing people would have picked it up and paid us for it, so we lost about $800 there in the transaction because the paper work wasn't done properly andnow that we are out of our year, housing won't pick up the back payments on it.

Q They won't go back and reimburse you?

A That was an error in strictly I would say paper work, lack of communication, and I would say there was a lot of that, lack of communication.

Q Well, we have got a disaster loan specialist with us, although we can't go into it right now, we will have him talk to you while you are waiting for the statement to be typed and maybe there is something that he knows about it that can be done.

A Can I voice my opinion in that instance? At 18 percent, if we would have had to pay 18 percent on $27,000, there probably would have been no way because that wouldn't have doubled that payment; that would have what -- four times the amount. There is no way we could have picked up a house.

Q Your monthly payment would have gone from 122 to 317 if it went to 14 percent?

A It can't be done. You figure when you have to start all over with everything, and you have a family, you can't afford to pay that kind of interest.

Q Okay. We really appreciate your taking the time to come down here and give us your views on the program.

(Whereupon, at 2:45 p.m., the deposition of MR. AND MRS. DAVID WITTMAN was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Linda and David Wittman, acknowledge that we have read the foregoing deposition and that it is true and correct.

Linda F Wittman

Linda Wittman

David Wittman

David Wittman

42

Dennis/gay
4:55 pm

DEPOSITION OF JOE NUGENT

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

JOE NUGENT

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A Joe Nugent. I reside in Corona, California.

Q What is your occupation?

A I am a pilot.

Q Are you self-employed?

A I am retired now.

Q You own your own business?

A The business belongs to a corporation. My wife has all the stock in the corporation.

Q What is the name of the company?

A Aero West Aviation.

Q That is in Corona, also?

A That is in Corona.

Q It sustained some loss from the disaster that occurred last year, was it?

A Well, three in nine years.

Q The latest one that you received was in December of 1980, is that correct?

A Yes.

Q Would you tell us what happened --

A Excuse me. No. It was -- you mean the proceeds?

Q The proceeds of it?

A Yes. The disaster was in the spring of 1980.

Q Would you tell us what happened then, please?

A Well, the place was just inundated with flood waters from a disastrous year of heavy rainfall. My office buildings and hangars had all the way from 12 foot of water in them. At the lowest point it was down to about nine-and-a-half feet on my property.

Q Did you have any insurance to cover part of the loss?

A Yes, I did.

Q Do you know approximately how much insurance was involved?

A Yes. There was -- we had three buildings and there was $7,750 on each of the buildings.

Q So about $22,000 in insurance?

A Yes.

Q And in addition to that you were approved for and received a SBA loan of $44,300?

A That is correct.

Q Do you have any idea what the total property value was? Was it a total loss?

A Well, the greatest portion of our loss was the area surrounding the hangars. The loss did exceed the insurance premium. We have since raised and increased the premium to cover any anticipated future loss, but our great problem, we are on an airport, of course, and the taxiways and the blacktop and -- that was all disintegrated.

The water table lingered for a long period of time. We really had not got completely over the flood in 1978. So we spent about two-and-a-half to three years reclaiming the property and trenching around to draw the water from around the buildings so we could replace the blacktop and bring in fill.

Q Do you have any idea what the property was worth before the flood?

A Well, it is Army Corps of Engineer property, so the City of Corona leases it from the Corps and the Corps leases -- we lease from the City of Corona. So, it is leased property.

Q What has been the value of the buildings and tiedowns, et cetera?

A I would say the current market value of these three buildings that are involved would be approximately a half a million dollars.

Q You own those buildings or the company does?

A Yes, we own them. The company owns them.

Q If they were worth about $500,000 --

A Now I am talking about the whole lease, the pavement and everything. We put in the **pavement** originally and the taxiways.

Q You had about $500,000 in value?

A That would be current market value. That is not what we paid for it.

Q And suffered a combined loss between what you received from the insurance proceeds and the SBA loan of about $65,000, the $44,300 SBA loan for actual damages less your insurance, and then an additional $22,000, $23,000 without insurance. So your loss was someplace in the range of one-ninth of the total value?

A Well, I am not following you too closely, but I would say this last flood that we lost over -- the damage was
JM 125,000.
close to $125,000 on the existing property.

Q You lost about a fourth of the value, then?

A Yes.

Q Under the terms of your SBA loan you are paying on the latest one 8-1/4 percent into over a 15-year period?

A Yes.

Q That on that you are making monthly payments of $435?

A I believe that is it.

Q You are still making payments on the 1969 loan?

A Yes.

Q And you are still making payments obviously on the 1978 loan?

A This is what I wanted to talk to you about.

Q One of the proposals that is being considered -- and it is not one that is going to affect any of your current loans-- would be to change the interest rate so that in the future victims that borrowed from the Federal Government would pay 14 percent. This would be in lieu of the current 8-1/4 percent rate that you are paying on the 1980 loan.

Obviously, I am sure that you don't think it would be too good a deal to pay 14 percent for the same loan that you get under existing law for 8-1/4 percent. Nobody wants to pay more money.

Would it make any sense for you to do that? Would it still be a good program if the loan had been made available at 14 percent? Would you have even bothered with it, that type of question is what I am getting at.

dmt

A Well, if I can express my opinion, I feel that in the case of a disaster loan, not necessarily my own, but I am thinking of people that have lost their homes and -- by earthquake or windstorms and tornadoes, I think they deserve all the help they can get.

The lowest interest rate that is available, because if the same disaster takes place in any other country in the world, the taxpayers extend money to that country without any repayment, without any interest, and -- but their own citizens, like a man that loses his home, perhaps it was all paid for.

Now he is in an inflated market. He has to rebuy that home as well as support his family during an inflation period. I think it would be the best thing that our country could do tax-wise to have a certain forgiveness program along the way and make the money available at the very lowest interest rate. Now, this is my personal opinion.

I would say 14 percent would be excessive in the case of somebody that was either put out of business or lost their home or their livelihood, their farm, whatever.

Q So then instead of increasing it from the eight and a quarter percent, you are in favor of decreasing it?

A Decreasing it and over a period of years if the recipient has paid back faithfully the loan, I think there should be a certain portion of that be returned to him or taken off of the loan. To maybe shorten the period and give him some tax benefits back.

Q This is going back quite a few years. I hope your memory is better than mine, but in 1969 or at least in that era, there were some provisions for forgiveness of loans.

A Yes, they did. I received $1800 on a $65,000 loan.

Q You did? That is what I was wondering.

A Yes.

Q You actually had $1800 written off?

A Of the tail end of the loan that I am paying on. The interest was low. That loan made it possible for me to stay in business another ten years, to grow, increase, hire employees, pay taxes, and generally I think the benefit comes back to the government in many ways besides just getting paid back the disaster loan plus interest.

Q Can we try your memory again and go back to about '69 You said it helped you to -- or kept you in business?

A Yes.

Q In your employment, could you kind of run through the number of employees you have had since '69 that thus have benefited from your staying in business?

A I would say currently on -- we have three parcels at the airport and Aero West is just one of them. That is a corporate parcel. I would say that there currently now is about around 38 employees that are benefited by me staying in business and growing and expanding over the years.

At the time we had four, in '69.

Q So you have grown from four employees to 38 employees today as a result of your SBA disaster loans?

A Yes. And a lot of hard work added to it.

Q Yes, sir. I understand that too. A loan doesn't keep you there. It just gives you a chance.

A Yes.

Q I think you have pretty well adequately covered your situation, unless you have something that you would like to add.

A Well, we are in a little unusual position now. We have received three loans and the period of time has been shortened on each one of them, so now we are making a combined payment of probably somewhere over $1400 a month, and the last period was shortened to 15 years and 6 months. And I feel that it would certainly have helped me and we would have been able to retain more money if the time period had been greater on the last two loans or if they could be amended and stretched out so the monthly payment would be reduced over a period of time.

Q Okay.

A Now, of the three parcels that we have, we would estimate the total value of the complex at about a million dollars now. That is the taxiways, the businesses, and so forth and so on that are involved.

Of course, we are making payments on the hangars that were built with the expansion over the years and, of course, interest rates have been going up and our land rental has been going up.

Right now financially we can handle what we have now, but it does press us.

There is less money retained for our personal enjoyment which somewhere along the line you have to consider too. I have been 48 years in aviation in June and have flown over 45,000 hours in that period of time, and I feel that right now what you have looked at after we have fixed it up this last time is what my life -- my life's work.

We have worked for it. I don't expect to be alive still when the '69 loan is finished, but I do know that I will be in a position so whoever inherits my holdings and my wife's holdings will certainly continue and take care of it.

MR. POWERS: Mr. Nugent, I certainly want to thank you for coming down here this afternoon and telling us about your experience.

THE WITNESS: Okay. I think those were the two or three things that I did want to try to talk to you about.

If there was a way of extending the loan over a greater period of time and reducing the total payments, why -- of course, in '69 -- that was nothing. We can deal with that.

The last two, if one had been extended -- I think the second loan was a 20-year loan. This last one was 15.5. In fact, I had to ask for an extension to -- for the first payment which was granted to me until the first of July on this one because we are not completely completed with the total oil and surfacing and getting our tie-downs back in.

We are about ninety percent back in business now. I do want to say that everybody has been really good to us here in the office. I think they did everything they could within their -- within the realm of their restrictions and so forth and so on about regulations.

We certainly over the years tried to be faithful in paying them back the money, and I would say out of the nine years that we have had from the flood, I have worked steadily on tractors and everything to take care of it, what the money didn't take care of.

That was one other point I was going to make. If there would be any way that people that want to do their own work and partially reclaim the land and things like that with their own equipment and their own money and their own time, if there could be some provision to credit part of the loan proceeds back to them for saving -- actually saving money. I have been able to do $125,000 worth of work for forty-four thousand and some odd dollars just because -- and, of course, I never applied for any credit for that other than gasoline and parts for my tractor and things like that.

MR. POWERS: We appreciate your coming.

THE WITNESS: Okay.

(Whereupon, at 5:10 p.m., the deposition of JOE NUGENT was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Joe Hugent, acknowledge that I have read the foregoing deposition and that it is true and correct.

Joe Nugent

JOE NUGENT

#43

Carol/gay
5:35p

DEPOSITION OF ROY ALLEN

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

ROY ALLEN

was called as a witness and, after being first duly sworn, testified as follows:

BY MR. GRANT:

Q On behalf of the committee, I would like to welcome you, Mr. Allen, and let you know we appreciate your coming.

I do want to mention to you at the outset that your testimony here this afternoon will have no impact on your loan from the Small Business Administration.

We are simply here to get your opinion on disaster assistance you received and ask you to relate that experience to several proposals now pending before Congress and give us your opinion.

The business for which you received your SBA disaster loan is Oceanside -- I am sorry?

A Oceanside Pier Fish Market, and Pier Bate and Tackle Shop.

Q I am sorry.

A That is all right.

Q Would you state the circumstances under which the disaster occurred?

A Oh, on the evening of November of 1978 we had a storm that washed away 1,000 feet of the pier, along with my business, and the insurance would not pay because it was an act of God, so I applied for Small Business.

Q So you applied for a loan and did receive furniture loss, a loan of approximately $41,000?

A Yes, I applied for a loan to restart the business, which is a little unique because we didn't rebuild the pier, so I am very happy with the SBA.

This is talk as I want, right? I am very happy with SBA.

I applied for the loan. I had no problems in the application for the loan. The gentleman and I, Mr. Allen, he was the financeman, before the six months was up, I hadn't used the loan. They told me I would have to renew it for another six months, we were hoping on the pier being built with federal money, and then I went out and bought a Montgomery Wards store, and I have had no problems.

The only problem I would say is in buying a business that was out of context, I came back to SBA later on and wanted some legal advice and said that was not part of their deal, which I would like to see maybe later on changed.

Q There is a problem in providing legal services from the government's standpoint, but I understand your concern.

Well, then, based on that good experience which provided the financing we discussed at an interest rate of 3 percent --

A 3 percent.

Q -- resulting in monthly payments of approximately $291 a month, I would like to ask you a few questions about some of the proposals.

A Just correct part of what you said. It was for $41,000, and they did increase it for 45 when I eventually bought the store, because it took another $4,000.

Q Right.

A Ask me what you want.

Q If the per month payment on your loan were increased, based on 14 percent interest rate, as is a proposal before Congress, we would calculate the payments on that loan to be approximately $510 per month.

If you found yourself in that situation as a result of a disaster you experienced, what would the result be on your ability to get back in business?

A To take the present loan I have, or if it happened again today?

Q Either way, but if it had happened.

A If it happened then, I couldn't afford it.

Q Absolutely. I understand.

If such a disaster were to hit your business today and you were forced to take a loan at 14 percent?

A Couldn't do it.

Q It would be the same answer?

A Same answer. I couldn't do it.

Bal.
Dwt

Q Were you aware of any businesses similarly situated to yours that experienced basically the same?

A Nope, mine was unique because most SBA people, you have to rebuild where you were. That was one of the things they demanded, and I had a lot of problems getting that across, not with local but I would get like long distance calls, what was happening and I explained that it was gone.

So then they said, well, if you find a business that you think is comparable in the same cost structure, just to go out and line up the purchase and bring it to us and I found the Montgomery Ward's store which looked good, and I did bring it to them and there was no more problems.

Today I couldn't have done it if it was 14, 15 percent interest because Montgomery Ward's runs on a 12 percent of the gross profit, that is all,so it wouldn't make sense.

Q Another proposal being considered is to make disaster assistance available to small business concerns at only sixty percent of the uninsured loss.

I would assume from what you have said that that would also have a negative effect on your ability to restart your business?

A Yes, I would like to see disaster insurance. I had paid insurance for 7 years and never knew I wasn't covered. Maybe there is a disaster insurance that would stockpile money for these situations.

Q Again, not to put words in your mouth, but based upon your experience with the disaster program as administered by SBA?

A Oh, excellent.

Q You do endorse it as a good and reasonable government initiative on behalf of the taxpayers?

A It is one of the few things that helped small business. I was surprised, they did sit down and give me a loan, and it wasn't a lot of paper work. It was adequate.

I made about four visits to Escondido and it was done. They used my house as collateral, and I have no complaint.

I am sorry, no complaint.

Q We are here to get your views and opinions.

A I would like to see on the legal part where maybe there is retired people. I know there is such things around, but nobody had the accessibility to say that there is a group in San Diego, retired lawyers that you could go to and really get where you do need help.

MR. GRANT: Again, on behalf of the committee, thank you so much for your statement, Mr. Allen.

(Whereupon, at 5:40 p.m., the deposition of ROY ALLEN was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, ROY ALLEN, acknowledge that I have read the foregoing deposition and that it is true and correct.

Roy L. Allen

ROY ALLEN

#44

6:10
Dennis
dmt

DEPOSITION OF BRIAN MUSGRAVE

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

BRIAN MUSGRAVE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Musgrave, would you state your name and address for the record, please, sir?

A Brian Musgrave, 300 North Ellis Street, Space No. 4, Lake Elsinore, 92330.

Q I want to thank you for coming.

A You are welcome.

Q I want to tell you that any statements you make today will have no effect on your loan from the Small Business Administration.

A Fine.

Q We simply seek your experience based on the disaster you encountered and also your opinions on certain of the proposals now pending before Congress which would not affect you but would be of interest to disaster victims like yourself and those similarly situated.

Would you state for the record, please, sir, the circumstances of your disaster loss?

A Well, simply put, the lake kept rising until it got to be two foot in my house. Of course, I had to move out. You want the address and all that?

Well, it is 32930 Blackwell Blvd., Lake Elsinore, 92330. We had just got settled in, spent about $20,000 on remodeling the house after I bought it, and just comfortably got in. The lake started rising and it kept rising. I was assured it wasn't going to reach us, but it did. So we moved out on about March 3, I believe it was, when the waves were lapping at the door.

Right now I am making payments every month and it gets a little rough. I made my first payment to the SBA, making payments of about $351 a month, I believe it is, on the house. I am making payments of $526 and a half. I got behind six months. I tried to ask them if they would give me a six months moratorium. They didn't agree to that.

By the time they got through fooling around, it was about six months that I didn't make any payments. Then they wanted me to bring all the payments up to date. I told them that would be a little rough. They said, can you make a payment and a half? That is what I have been doing. Until I get caught up on those six months I didn't make payments, I am making payments of $526.50.

Anyway, we got all our stuff out with just a few minor matters. I think my records indicate there were $400 worth of stuff we didn't get out.

Of course, I have been paying storage for the last year. $55 a month for storage because I have no place to put it.

We bought a small mobile home which my wife despises.

My wife is only here on weekends. She works in Beverly Hills for a law firm. She makes good money so we can't afford for her to quit working just yet.

We hope -- a lot -- we hope she can quit working this month. A lot of that depends on whether we can sell this house. We have had some lookers. A real estate man called me this week. He has someone interested.

I called the building safety just this morning. They told me to call the environmental health, I believe, to see about the possibility, because before anyone can move back in the place now, the elevation there is 1264 feet. To be able to move back in, you have to be 1265. I would have to raise the house one foot or more, which would cost me $6500 at the last estimate.

I would have to repair it. Even then I can't move in until they will -- the man said this morning they are trying to fill up what he called a septic tank district or some such terminology by which the water -- one of the water companies there would install septic tanks and pump them out every month.

As it is, they won't let me put a septic tank in because I am below the 1265 level. I am 1264.

Q The loan you have from SBA as a result of the disaster you suffered for 28 years at three percent has been beneficial to you?

A Oh, absolutely. Absolutely.

Q One of the proposals pending before Congress would be to make such a loan not at 3 percent, but at 14 percent to a homeowner, which would result in a homeowner in your situation with a 28-year loan being required to pay almost three times as much in the form of a monthly payment as you would pay.

What would that have done to you in a situation like you experienced?

A I just wouldn't have been able to buy, that is all. I would have to continue. Of course, I have other property. I don't have the cash, wouldn't have the money.

Q You wouldn't have had the availability of other financing to bring you through it?

A No, not unless I could have got this house.

Q Some people use the phrase 'it would turn me into a renter.'

A Well --

Q I don't know if that would apply in your case.

A Probably would have. I probably would have ended up buying a 12-wide mobile home perhaps or moving into a mobile home park. We seriously considered that. The SBA would have financed the mobile home.

Q That wasn't really have re-established yourself as a homeowner?

A That isn't what we wanted. Of course, we looked for -- that might have been a little superfluous, verbose, shall we say.

I wanted to explain things as best I could. We bought a lot. The permits and special fees and all was going to cost so much that I dropped that plan, bought another lot and then the woman backed out in the middle of that, so then we started to get desperate and looked for housing.

I think I said in some of my letters I didn't see any sense in living in Elsinore if I didn't have a lake view. Finally we found a house. The realtor called me yesterday. He said, "Your check is there, but the only drawback now is in probate," and I understand someone can come in that bid, I think, about $4,000 over what I bid and they could still take it away from me.

I have my fingers crossed.

Q I wish you luck on that. Would you say from your experience in Elsinore that others in your community who experienced the type of flooding that you did derived a great benefit from this Small Business Administration loan program?

A Well, of course, I haven't talked to very many personally, but I think it goes without saying that people maybe spent all their money in a home, they don't have much money left. If it meant paying 14 percent, as you said, for another house, they just wouldn't have been able to buy. That is all.

Q Thank you, Mr. Musgrave. I do appreciate your statement. On behalf of the committee, I am sure it will prove very useful in our deliberations.

A   I certainly have been so grateful that I was able to get this loan. Believe me, it has been a big help to me.

Q   Thank you, sir.

A   I was just going to say that maybe eventually I could have got something else, but not now. Of course, this is something I can pay back. At 3 percent it makes it something that I can handle. There is no way I could have handled a payment on that and still paid on this other house, and Lord knows how long I am going to have to continue paying on the other house.

MR. GRANT: I understand.

Thank you, again.

(Whereupon, at 6:17 p.m. the deposition of Mr. Musgrave was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Brian Musgrave, acknowledge that I have read the foregoing deposition and that it is true and correct.

Brian Musgrave
BRIAN MUSGRAVE

45

Carol/gay
6:20p

DEPOSITIONS OF MR. AND MRS. LAWRENCE MEYER

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

LAWRENCE MEYER

BETTY MEYER

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Meyer, I would like to thank you for coming in this evening on behalf of the committee. We greatly appreciate your coming and giving us your views on the disaster assistance you received and your opinions on certain proposed changes in disaster assistance now pending before the Congress, which I will mention in just a moment and ask that you comment upon.

I do want you to understand that nothing you say here this evening will in any way affect the loan which you have from the Small Business Administration. We simply seek your views.

Could you state for the record the name and address of your business and your position with the company?

A (Mr. Meyer) Pioneer Materials Company, Inc., with a dba name of Larabee Lumber Company, located in Lake Elsinore at 202 Minthorne Street, formerly located at the disaster area of 225 Pottery Street.

Q And could you describe the type of loss you had and the percentage of damage to your business?

A Well, the percentage of damage is incalculable at the present time because at the same time this flood happened, the economy slowed down, but we figured it hurt us 50 percent or more per year.

We came up with our own losses of about $225,000 in real property, valuation loss, and inventory, et cetera.

We didn't claim quite that much because the paperwork and everything, we spent more time filling out the paperwork than we did doing our inventorying, and we ended up with more losses than we actually declared.

However, it was at least that, and I don't know percentage-wise, I guess it would fall in the 50 percent, at least.

Q I see. Well, that is not particularly important. I thought if you knew it, it might be helpful.

In any event, the uninsured loss you sustained resulted in SBA approving a loan to you of approximately $200,000 for a term of 15 years at an interest rate of 8-1/4 percent. Is that correct?

A Correct.

Q And I would also ask the number of employees at your business.

A Well, at the present time we have, not counting Betty and I, we have three, and before the flood I think we had 13.

A (Mrs. Meyer) Something like that.

A (Mr. Meyer) Varying from week to week.

Q Okay. So your business is really just trying to recover, get back on its feet to its former level?

A (Mrs. Meyer) Well, we don't have a place for our merchandise yet because that is what we are building, is a building now. We are in a mobile office and can't put too much hardware in a little mobile office.

A (Mr. Meyer) Fortunately, we had a piece of property almost adjacent to the flooded one, and on high ground, and we moved up there, just moved up there with an outhouse and started doing business, so we retained a lot of our better, good customers, and we will survive just fine.

A (Mrs. Meyer) They have been bearing with us on not having what they need right then.

A (Mr. Meyer) It just puts you out of business, period, SBA or no SBA.

Q No business can survive without customers.

A (Mrs. Meyer) That is right.

Q In light of the fact that the payment on your loan now is at $1,963 per month, and if proposed changes go through Congress, a borrower similarly situated, someone whose loan was affected by a 14 percent interest rate, not yours, the increase in the monthly payment would be from $1,963 to $2,612 per month with the same sort of financing that you got. If you had been subject to that sort of financing, what would that have done to your ability to get back into business and back on your feet?

A (Mr. Meyer) Well, I think we would have retired. Not at 14 percent, of course, that is the going interest rate. But we could have borrowed money on our house, not enough, and this and that, at 14, 15, 16 percent. We could have done various things. The only thing that really makes it the least little bit possible to recover from something like this is the--well, I guess you would call it benefit of the low interest rate and so on.

A (Mrs. Meyer) Plus not having to start repayment for six months.

Q You did not have a home disaster as well?

A (Mr. Meyer) Oh, no.

A (Mrs. Meyer) Just business.

Q What in that event as so many people do, who might have a business disaster and have their home destroyed as well?

A God help them.

Q That would have had a terrible impact on your community, I imagine.

A (Mr. Meyer) I don't know. I am a workoholic, they say, and I work all the time and everything, and I see a lot of people around there that gave up. I guess they just gave up.

A (Mrs. Meyer) Which is really sad, you just can't give up.

A (Mr. Meyer) It is not my nature to do that, but I see a lot of people do it today. I think they just leave. They don't even apply for a loan.

Q That is one of the basic thrusts of the program, is to try to help a community get re-established, and these loans enable communities to come back instead of just facing that disappointment and hardship; they will tend to just get up and leave.

Well, let me ask you in light of --

A We also heard a lot of fraudulent claims, and I imagine that you are plagued with that though too because we heard of people asking for three, four, five hundred thousand dollars that weren't the leas t little bit affected by the flood.

Q Hopefully the Small Business Administration would screen out that sort of application without too much trouble, but I would like to ask you a further question which is also a hypothetical based on a proposal.

If the disaster assistance available to you had been limited to only sixty percent of your uninsured loss as opposed to the one hundred percent uninsured loss that you received, what would that have done to your ability to re-establish yourself in business?

A (Mrs. Meyer) It would have just taken longer.

A (Mr. Meyer) It would have taken longer.

A (Mrs. Meyer) We would have done it anyway, but it would have taken longer.

A (Mr. Meyer) A lot of people would probably say the heck with it.

Q And the business community, that would be a hardship?

A A lot of people, they don't want to work as hard. They don't want to put as much effort into things.

A (Mrs. Meyer) Number one, it is quite a shock to you when this happens, and a lot of people just don't have the strength, I think, to fight back and that is what you got to do. You can't lay down and say, well, this has happened, just forget it. You have to fight it.

Q Despite the fact that you would have struggled back, would the sixty percent of loss limit, as far as a loan to you, have affected your ability to get back to full strength, to re-hire your employees and to move as quickly as you might have with one hundred percent financing?

A (Mr. Meyer) Yes, because even though we didn't realize it at the time, if we would have only had a sixty percent loss factor, loan factor or whatever, we kind of pretty much, I guess, were considered the competition in the area.

Okay, as soon as we got flooded, another company moved in right away and they jumped at the chance to get in on the ground floor before we got back into business, you might say, and had we known that they would do that, I don't think, I don't think it would have been a good deal.

I don't think we could have got back in business. Competition would have knocked us out before we got started, but we didn't know it at the time.

As it worked out, I don't believe we could have made it, really.

Q I understand, so, based on your experience, you do endorse a disaster lending program available for small businesses from the Small Business Administration in circumstances such as you experienced?

A (Mr. Meyer) Well, absolutely.

A (Mrs. Meyer) I think so.

A (Mr. Meyer) Even with all the fraudulent claims that you must get, that we hear of and everything, after all, there isn't any single solitary thing that we did personally to cause this disaster to happen. Even in buying the piece of property, we had no idea that this would happen.

We didn't have any idea and it seems to me that somehow our government ought to be able to help us as well as it does a foreign country or something like that.

After all, we live here.

A (Mrs. Meyer) We are paying taxes.

A (Mr. Meyer) It enabled us to pay taxes last year. We paid income tax, personal income tax last year. We wouldn't have been able to otherwise.

MR. GRANT: Again, thank you both so much for coming and your statement will be very beneficial and that is exactly what we wanted to hear from you. We appreciate that very much.

A Mr. Meyer) Thank you very much.

(Whereupon, at 6:35 p.m., the deposition of MR. and MRS. MEYER was concluded.)

ACKNOWLEDGEMENT OF WITNESS

We, Mr. and Mrs. MEYER, acknowledge that we have read the foregoing deposition and that it is true and correct.

5

9

Betty Meyer

BETTY MEYER

Lawrence Meyer

LAWRENCE MEYER

- - -

#46

6:35p.m.
Dennis
dmt

DEPOSITIONS OF MR. AND MRS. RALPH DESTICHE

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

ELIZABETH DESTICHE
RALPH DESTICHE

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Destiche, thank you very much for coming on behalf of the House Small Business Committee.

We have come to seek the opinions and views of recent disaster victims who have received assistance from the Small Business Administration, both to get your view of the program and the assistance it may have been to you and to ask you in view of proposed changes now before Congress, what your opinion would be of those changes.

I want you to understand the statements you give this evening in no way affect your loan or any future action taken by you or the Small Business Administration with your loan. That is not at all our purpose.

We have come to provide this information from disaster assistance individuals all over the country, as we go from here to there, take it back to Washington so that those members looking at these proposed changes will have a record and be informed of what the citizens think about these proposed changes.

In a nutshell, that is really why we are here.

As I say, we certainly appreciate your coming and talking to us.

Could you state the address and the type of disaster at your residence which you experienced?

A (Mr. Destiche) Your residence was 1313 Partridge Lane, Oceanside. We had a land movement which the city thought after geological reports, thought it was in imminent danger of immediate collapse of the building.

I came home from overseas when my wife told me that, to move her. One day nice and calmly I was sitting in the house. I heard a knocking on the door and here was the city with a condemnation notice. They didn't bother to see if I was there. My car was there. They said, "You are condemned. Move."

I fought it. I fought it for six months. Then I fought the demolition on my house for a year after I moved out.

The city said either we are going to destroy it and you are going to pay us or you are going to get it done. So I donated it to the Mission. Without the SBA, after 20 years in the Marine Corps working for the U.S. Government, we would have been starting all over from scratch.

I worked a long time. Without an SBA loan, we would have been really bad off.

Q I understand.

Now, the uninsured loss amount for which you received the loan was $50,000, is that correct?

A Right.

Q That was for maturity of 30 years on a three percent interest rate basis?

A Right.

Q This results in, I believe, payments of approximately $212 a month?

A Right.

Q Let me ask you in that regard, one of the proposals pending before Congress is to make disaster assistance available to homeowners at a rate of 14 percent. If a 14 percent rate were applied to your loan -- which it will not be, but hypothetically, if it were -- it would result in a payment of $577 a month over that same period of time.

How would this have affected your ability?

A We could not afford it. At the time we could not afford it.

Q You do then endorse the disaster assistance you received as necessary and helpful?

A Wholeheartedly.

A (Mrs. Destiche) We settled into a house that even though it was brand new, was a lesser house than the one we have lost; yet we paid $27,000 more for it than the other one that was purchased two years prior to the disaster.

A (Mr. Destiche) That was $27,000 more above the loan. We paid $40,000 more for the house. We only paid $37,000 for the other house.

A (Mrs. Destiche) We had an addition on the house making it worth total loans of $56,000.

A (Mr. Destiche) And then when it first happened I went and signed the signature loan at my credit union and had it dug out with a caterpillar and put 800 yards of dirt in and recompacted. That still didn't stop it. When my daughter fell off the patio 20 feet down to the bottom of soft ground, I said that is enough.

A (Mrs. Destiche) In any case, with a $50,000 disaster assistance that we got with a three percent loan, we were capable of going into a house, like I said, lesser square footage, lesser -- basically a lesser location for another thing, for about the same money that we were paying on the other house.

Q But you recognize that would not have been the case had the money been up at 14 percent?

A (Mr. Destiche) Definitely not.

A (Mrs. Destiche) We would have had a mortgage of almost $800. If you are putting a limitation of $40,000 even at 14 percent, you are not going to be able to purchase anything any more, especially not in southern California for $50,000 unless you want to buy a cottage.

A (Mr. Destiche) And that is a one-room cottage. Right now at the time the way things are for Californians at least, I think the disaster could be raised.

I know there is a government limit on amount. Over and above the $50,000 I got from you and the other money we got, we put money out of our own pocket to upgrade the house when we first moved in.

I think we spent close to -- with the carpet, the drapes, stuff like that, close to $6,000 of our own, which I got in the loans. It is paid for now, thank God.

A (Mrs. Destiche) You would have been talking if, at 14 percent, you would have been talking to us at a mortgage payment of $950.

A (Mr. Destiche) At that time, when I was in the military, that was over half of my income.

Q Well, I certainly want to thank both of you for coming in and sharing your views and giving us that statement. It should prove very helpful and we greatly appreciate it.

A I would get up and yell about the SBA and their disaster assistance if anybody wanted to listen to me. If it wasn't for that, a lot of people in this United States would be really poor off. They would have lost their shirts and their skivvies and everything else.

(Whereupon, at 6:45 p.m., the deposition of MR. AND MRS. DESTICHE was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, ELIZABETH DESTICHE and RALPH DESTICHE, acknowledge that we have read the foregoing deposition and that it is true and correct.

Elizabeth Destiche
ELIZABETH DESTICHE

Ralph J. Destiche
RALPH DESTICHE

#47

Carol/gay
6:48p

DEPOSITION OF MR. AND MRS. RICHARD RASMUSSON
Wednesday, April 22, 1981
VISTA, CALIFORNIA

- - -

RICHARD RASMUSSON
DORA RASMUSSON

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q On behalf of the Small Business Committee, I would like to thank you both very much for coming in this evening to share with us your experiences in a disaster situation, and hopefully, to give us your views on certain proposals now before Congress which would affect the disaster loan programs administered by the Small Business Administration.

I want to be sure you understand that these changes would not affect your loan in any way. They are simply under consideration at this time and would affect future disaster victims.

Would you state, please, for the record, the circumstances of the homeowner disaster that you experienced?

A (Mr. Rasmusson) February 1980 my home was totally inundated by water from the flood.

Q And what was the percentage of damage to that residence?

A Well, that is hard to determine.

Q In your estimation?

A 50 percent, 70 percent, anyway.

It is hard to determine because the house has since been condemned, not to be occupied.

Q I understand.

As a result of that flood, you qualified for and received from the Small Business Administration a homeowner disaster loan in the amount of $50,000?

A Correct.

Q For a term of 29 years at an interest rate of 3 percent?

A Correct.

Q Let me ask you, in light of one of the proposals now pending before Congress, what the result would be if a 14 percent interest rate were to be in effect for a homeowner going through a disaster, and in your situation, that would result in a monthly payment going from $217 to $578 per month for a loan at the same maturity.

How would that affect your ability to come back?

A I couldn't, absolutely could not.

Q Do you know of the effect of such a proposal on other members of the community at Lake Elsinore that went through the flood?

A That would be the same situation. You see, under different circumstances, if you took that 14 percent and made it $100,000, there you are all right, but you see, in order to get that $50,000, $50,000 won't buy adequate housing, so, therefore, you have to have another loan so you combine the two loans together, and you are talking at least $1,000 a month payback, and with other living expenses, in that area, never make it, not low income people in that area. It would really hurt them severely.

Q So then you do endorse the lending program for homeowners which is administered by SBA as a necessary program for disaster victims who experienced what you did?

A By all means, yes.

I feel, like I say, another way to do this would be increase the amount of the loan and then you can go ahead and increase the amount of the interest, so if you put the amount of the loan up where it will buy housing, if it will actually buy you back housing, then you don't have the problem of seeking other lenders.

Right now the SBA has a second on mine, and I have a first mortgage, also, and combined together with the other, you know, living expenses, it is tough.

Q Is there anything that you would state in regard to the assistance you received? For the record, I want to give you that opportunity, if there is anything further you would like to say.

A About the only thing I would like to say, it is a terrible thing to go through a disaster. Without the SBA assistance we would really be in bad shape. I am very thankful that the program exists, and I am thankful that I qualify for it.

Like I say, the only other thing I can say is that in my opinion, I think the amount of the loan ought to be increased, and then the interest could also be increased to go along with it.

I think that would help out a lot.

MR. GRANT: Thank you both so very much for coming, and we appreciate having your views.

(Whereupon, at 6:55 p.m. the depositions of Richard and Dora Rasmusson were concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Richard and Dora Rasmusson, acknowledge that we have read the foregoing deposition and that it is true and correct.

Richard Rasmusson
RICHARD RASMUSSON

Dora Rasmusson
DORA RASMUSSON

48

Dennis/gay
7:00 pm

DEPOSITION OF NORMA RYDER

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

NORMA RYDER

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Ryder, thank you so very much for coming this evening to give us your statement on behalf of the House Small Business Committee.

I want to express our appreciation. The purpose of your statement tonight is to give us the benefit of your experience as a disaster victim and your views on certain proposals which will be before Congress when they reconvene in a short time.

The testimony you give will in no way affect the loans outstanding which you have from the Small Business Administration as a result of the recent disaster. We are asking you a hypothetical question when we get into that area, and please feel free to express your opinion. There is no recourse as a result.

A Fine.

Q You and your husband, Mr. Edward C. Ryder, own and operate Ryder Wood Products?

A Along with our son and daughter-in-law.

Q How many employees would you have all told?

A We have no employees at the moment.

Q It is a family-owned business?

A It is a family-owned business.

Q You had some employees prior?

A We have contract labor that works for us.

Q Approximately how many people would be involved in that?

A Depending upon the size of our contracts, we have had up to ten that have worked for us on a contract labor basis.

Q Could you describe briefly the disaster you encountered at your business?

A In respect to the flood waters?

Q Yes.

A We were just -- okay. The flood waters came through. We don't know where it came from. It came from the hills area, came down through, a wall of water. We were situated in about two foot of water in our shop. It cut a gorge around us about 20 foot wide and about six foot, eight foot deep, for the full length of the four acres.

We had a gorge come down the front of us, a wall of water that came across the highway and cut our driveways and eight foot deep and ten, 12 foot wide.

There was just water everywhere. It knocked our coach off its foundations. There was just water. It just came from out of nowhere. It came without any warning. We weren't even prepared for it.

We had just purchased the property. We had no idea it was in a flood plain. We now have a lawsuit pending against the broker and the seller of the property, and we were just devastated. We were just flat wiped out.

By the time we got ourselves reorganized and prepared the driveways and all to where we could get out, we had too much money invested into it to pull off the property.

Q So you will try to re-establish?

A Oh, yes, we have already. This is why we applied for the loan. We called a contractor in. He told us that it would run in the vicinity of between $400,000 and $500,000. We were able to -- we were -- the loan that we were -- the monies loaned to us was about just shy of $100,000, 99500 NR $900 something or the other. I say $100,000. It was shy of that.

Q Approximately, yes.

A We won't quibble with that.

Q No.

A But we ended up doing a lot of the work ourselves because we did not have adequate monies to do it. $10,000 of that was for materials that we lost. We lost another $10,000 of equipment that we weren't able to use the loan for. So, you figure then we only had about $90,000 that we could put into the property, and when you have $500,000 loss and you have -- you only have, say, $90,000, you have to scrimp and scrape and save and everything else.

Q You had an uninsured loss of $500,000?

A Yes, sir. We had no insurance on it.

Q As a result of this large loss, you did receive from the Small Business Administration a loan for, I think, $99,500?

A Correct.

Q This is for a period of 25 years at an interest rate of 5 percent?

A I believe that is correct.

Q Let me ask you the first of several hypothetical questions.

A Surely.

Q If that disaster assistance had been available to you not at 5 percent but at 14 percent, resulting in the difference in monthly payments of $576 at 5 percent and $1,168, or approximately double, at the 14 percent level, what effect would that have had upon your ability to re-establish your business?

A We wouldn't have been able to. We wouldn't have.

Q The straw that broke the camel's back, so to speak?

A That is right. That is it. You got it. Because right now -- our company has been down a year. We flat have been down a year. There was not enough monies made available to us to where we could go out and hire it done and tell a general to come in and say, "Okay, here, do this."

We pulled back with the help of friends, a lot of friends, relatives, and a lot of small contractors and a lot of contract labor which we supervised ourselves. We have been able to pretty much -- we are still not put back together, but we are getting there.

(Discussion off the record)

Q Based on your experience in the recent disaster, I would like to ask you if there were other businesses affected at the same time as yours was?

A Yes, there were.

Q Do you have any knowledge as to whether or not they were able to secure or applied for, in fact, any assistance from the Small Business Administration to recoup?

A Well, one gentlemen, the fence company to the south of us, he sold out because he has gone through this too many years.

The fellow across the street from us, the bar, he just didn't want to go through the -- excuse the expression -- bureaucracy. He just didn't want to be bothered with it. He didn't take the initiative.

I was the second person in line at Hemet when the disaster was over there.

Dennis
dmt

Q The disaster office?

A The disaster office. That is what I meant.

Q Fine.

A I stuck it out. I went -- I have never been through anything like this before. I went through all the paper work and everything. I was treated very nicely. The gentleman across the street, I brought him the paper work. He didn't want to bother with it. The fence company next door, he just sold out. The masonry company down the street from us, they didn't want to bother with it. They were all hurt, but they just didn't want to bother with it.

Q Based on your experience, you do believe it is a worthwhile and necessary program?

A Yes.

Q For those who are impacted by a disaster, those small businesses?

A Yes, I do. It does take time. It takes fortitude. It takes determination. You have to stick with it.

Q One further hypothetical. If, for a small business concern experiencing a disaster,the assistance were available not for a hundred percent of uninsured loss, but only for 60 percent of the uninsured loss, which a small business might encounter, would you think that that would have an effect on a small business's ability to get re-established?

A If we had been able to have gotten 60 percent, it would have been a very big help, would have put us back into business. We wouldn't have had to have been shut down for a year. We didn't -- we weren't fortunate enough to get sixty percent. Had we been able to, our business would already have been back on its feet and back into operation.

We would have had a crew of 25 aboard.

Q Yes, ma'am. I understand. I didn't mean whether or not you would be able to get 60 percent; I mean if even in any given disaster the ability now of a loan recipient, they may get up to 100 percent of their uninsured loss, that is true at present.

I am speaking of taking the hundred percent and making less available than there is now. In other words, 40 percent less assistance would be available under that proposal than, let's say, would have been available a year ago.

A Well, okay. If you are referring to my situation, if I had received 40 percent less of what we received -- which would have been only sixty percent -- sixty thousand, I don't know how we would have stretched it. We are -- I don't know how we have done what we have done. Every little bit helps, but 40 percent less would have been even -- you know. I hope I have answered it.

Q You have.

(Discussion off the record.)

Q One further thing. In regard to a home owner loan which you received from the Small Business Administration as a result of the same disaster, this loan at 3 percent, I believe -- is that correct?

A That is correct.

Q Do you also endorse the Small Business Administration disaster assistance program for homeowners at a 3 percent interest rate as a valuable tool?

A Yes, most valuable.

Q To help you recoup after a disaster?

A Yes. It is needed, because there are those that -- we need it. A lot of us don't have flood insurance. I didn't know flood insurance was available. If it hadn't been, if we had not been able to obtain it, we would have just been further down the road on that too.

Q So you would feel that the homeowner assistance program available at 3 percent should be kept at that level rather than being raised to 14 percent, which would mean that someone in a disaster might experience a business and a home owner disaster, as you have, and then be required to pay 14 percent or maybe more as a result?

A That is true. When you are in a disaster, psychologically it does a number on you, and to have to pay more than that at the time of the disaster, we just flat psychologically -- it just puts you under more.

MR. GRANT: Again, thank you so much. We appreciate your statement.

(Whereupon, at 7:15 p.m., the deposition of NORMA RYDER was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, NORMA RYDER, acknowledge that I have read the foregoing deposition and that it is true and correct.

NORMA RYDER

#49

Brad.
dmt
7:15 p.m.

DEPOSITION OF MR. AND MRS. HILL

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

MRS. ELEANOR HILL
MR. DONALD HILL

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would your state your name and address, please?

A (Mr. Hill) Donald W. Hill, 24011 Manzanita; that is in Sun City.

Q Mr. Hill, you were unfortunate enough to suffer disaster last year.

A Yes.

Q When was that?

A In March.

Q March of 1980?

A Yes.

Q What happened at that time?

A Well, we had a mobile home in a park in Lake Elsinore, right next to the lake and the water came up to the top of the roof.

Q Did you have any insurance on it?

A No.

Q Have you had it replaced since then with an SBA loan?

A Yes, I have another one I moved up to Cottonwood Canyon. Luckily I had a piece of property us there that I had bought.

Q That was $14,800, is that correct?

A Yes.

Q Okay,and you are repaying that?

A 71 a month.

Q $71 a month for 29 years?

A Yes.

Q Are you employed at this time, Mr. Hill?

A No, I am on Social Security disability.

Q Okay. Did you talk to any of the banks as to whether or not they would be able to help you before you went to SBA?

A No, just hearsay around there, where the property was located, the banks didn't want any part of it, sort of an isolated area.

Q Okay. You getting by okay and making your $71 a month payment?

A Yes.

Q I suppose it is kind of tough?

A (Mrs. Hill) Things going higher and higher.

Q Well, one of the things that is being considered and it is not going to affect you, would be a change in the interest rate on future disaster victims, not on your loan, but on others.

Now, if the change had been made, and the interest rate increased to 14 percent rather than the three percent, that would have more than doubled your payments, and I suppose that would have made it real tough on someone that is retired to repay that.

A (Mr. Hill.) Oh, it would. I don't know if I would have been able to swing it or not.

Q Okay, what was your experience with SBA? Was it good or bad?

A Very nice, very considerate.

Q Do you think they did what they should have done for you?

A I think they sort of went out of their way to help me. I appreciate what was done for me.

Q Do you have any suggestion about how we could improve the program?

A No, as far as I can see, the only thing, of course, everything was all muddled in the beginning. Things were kind of mixed up. I was trying for a grant and then the Small Business, and someone told me to drop the Small Business, and go for the grant, but I finally got straightened out and I went back to Small Business and everything worked out.

Q Mrs. Hill, do you have any suggestion as to what might be changed?

A (Mrs. Hill) No, I thought that they took care of the people that were in need very, very well.

Q Do you have any income other than your Social Security retirement?

A (Mr. Hill) No.

Q That is the extent of what is available to pay loans like this?

A Right. My daughter is a year older. I will lose her income.

Q From Social Security?

A Yes.

MR. POWERS: All right, we appreciate your coming down. I am sorry you had trouble finding us.

A I had been here before, but in the darkness out here --

MISS LUCY HILL: We had too much car trouble.

A (Mrs. Hill) Then we had a flat on top of the car trouble.

MR. POWERS: Thank you again for coming down.

(Whereupon, at 7:25 p.m., the deposition of MR. AND MRS. HILL was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Eleanor Hill and Donald Hill, acknowledge that we have read the foregoing deposition and that it is true and correct.

Eleanor I Hill

ELEANOR HILL

Donald W Hill

DONALD HILL

#50

Carol/gay

7:20p ·

DEPOSITIONS OF MR. AND MRS. MARTINEZ

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

JOSE M. MARTINEZ

MARGARET MARTINEZ

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Martinez, I want to thank you on behalf of the Small Business Committee for coming by this evening to give us your views on disaster assistance and in light of the assistance you received, we would hope to get your opinion on several proposals which will be pending in Congress in the next few months.

I am sure you understand that any statement you make tonight will not affect the loan which you now have with the Small Business Administration. We seek only your views and opinions, and it will in no way affect the disaster assistance you have received.

If you would, in regard to the homeowner disaster you you experienced, state for the record the address of the residence and the result of the disaster.

A (Mr. Martinez) The residence, the address is 906

West Lake Shore Drive in Lake Elsinore. It is lakeshore property, naturally. I guess I would like to say we are very grateful to the SBA committee people here for giving us the assistance that they have, because without it, we would really be out right now.

We are in a kind of a bogdown with the FEMA, the Federal Emergency Management Agency. It seems they have taken a complete year and still haven't settled anything with us in regard to the national flood.

According to their word, because of the national flood program, it seems that you become ineligible for any assistance unless you have the insurance. It has created kind of a hassle for us. It really has been very trying. We have waited for a full year and still we haven't had any real firm commitment from those people.

All of the correspondence that we have had to do, we have actually had to call San Francisco at various times to get any information from them, and still we are still nowheres right now.

The reason I am stating this now is because with the loan that we received from the SBA agency, we took that money and applied it on another property on the contingent basis that when the settlement that FEMA -- they told us we were under a 1362 program, which meant they would come in and buy the property and give us the extra money to apply to the home.

We did this. Now it seems that now they are declining or refusing to settle that claim in respect to the fact that we may have already been flooded at the time that we applied for insurance.

Now, when I first went to the disaster office -- and this has been in the past a kind of a no-no. This was not told me. I will state it again. It was told to me that I needed to apply for flood insurance in order to get any type of assistance at all.

I was told to do this. I hadn't done it because I felt that maybe I was too late. So when I was told this, then I had to go get the insurance and then come back to the disaster office showing that I had applied for insurance.

Of course, there is -- I guess the premium on that was $85, I believe, if I remember correctly. We applied for the insurance. Anyway, it has been a whole year without any real satisfaction. Now they are telling us that we bought the insurance at the wrong time; it was too late, we had already been flooded.

But we bought it on their advice. I didn't buy it until I was told to do so. Anyway, that has been the problem, really.

Now, the question mark is we have our money in escrow on a piece of property, on a contingent basis, that there is a sum that has to come to go into escrow from the sale of the house which the Federal Government was proposing to purchase, and they have purchased some properties already, but somehow we have got bypassed because of that situation.

So, there is where it is. We are still grateful to SBA regardless because we at least have something that we can look to, you know. We didn't have anything. Otherwise we would be completely out in the street.

Q The loss you experienced from the flood resulted in a condemnation of your property?

A Yes. They passed two ordnances, abatement ordnances that meant we could not restore or rebuild on that property. However, that was for a year, and that could be changed. But it is strictly up to special concessions or whatever they feel that the building inspectors feel are necessary that could be done.

We don't know yet how this is going to be resolved, but we are waiting just at everybody's mercy, actually, is what we are doing.

Q As a result of this uninsured loss, of approximately $53,000, which must have involved some personal property as well?

A Yes.

Q You did receive a loan from the Small Business Administration for approximately $53,000?

A Yes.

Q At an interest rate of 3 percent over a term of 25 years, I believe?

A That is correct.

Q This would form the basis for the first hypothetical question I might ask. There is a proposal to make such assistance available not at 3 percent but at 14 percent, which would result in a monthly repayment in a situation such as yours going from $254 a month to $622 a month.

What would be the effect if such a thing had happened to you?

A Prohibitive. I couldn't even have considered it. That is the situation -- that is the problem. You see, if, let's say, FEMA had come through and had purchased the property, then there would be funding there. It still wouldn't be sufficient. You could never replace what you lost. You would have something to fall back on in case SBA wasn't suitable; in other words, that the loan was too ridiculously high for the average working person.

A (Mrs. Martinez) I have a question about that. 14 percent? I would like to know why the government would want to make money on citizens' disasters.

(Discussion off the record)

(The reporter read the record as requested)

Q Then you do favor continuing the 3 percent loan to homeowners for uninsured loss as a result of a disaster?

A (Mr. Martinez) In the situation I have seen now -- it has been a year -- there have been a lot of people that just could never make it without it. They would just be completely wiped out. Though we have to repair, we understand that. We still appreciate the fact that we can apply and did receive the money that at least we can take that. If this doesn't -- this property we are working on now doesn't materialize, we know we can do something. It is better than not having anything to turn to. We are very grateful for that.

MR. GRANT: I certainly appreciate again your both coming down this evening and giving us this statement.

Thank you so much.

(Whereupon, the depositions of Jose and Margaret Martinez were concluded.)

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ACKNOWLLDGEMENT OF WITNESSES

We, Jose M. and Margaret Martinez, acknowledge that we have read the foregoing deposition and that it is true and correct.

JOSE M. MARTINEZ

MARGARET MARTINEZ

#51

arol/gay
:30p

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DEPOSITION OF MORTIMER RANDEL

Wednesday, April 22, 1981

VISTA, CALIFORNIA

- - -

MORTIMER RANDEL

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please?

A Mortimer A. Randel, R-A-N-D-E-L.

Q Your address, please?

A 2254 Crestline Drive, C-R-E-S-T-L-I-N-E.

Q Is that in Oceanside?

A Oceanside, California, 92054.

Q Mr. Randel, you had some property, I guess it was your home, at the time that got caught in the landslide, mud?

A That is right.

Q Did it totally destroy it, or tell us what happened, please.

A House tilted, the slab tilted, that is better. A Ball IN ~~on~~ this corner and you wind up over there.

We had two two-by-fours underneath the bed to sleep on an even keel. You could see water off ~~on the~~ level, on pots, in the glass and everything else.

Q The house, I assume, was kind of uninhabitable in that condition?

A The city so decided.

Q Did they actually condemn it?

A They condemned the house.

Q Okay. Now you went down and applied for and received a $50,000 SBA loan to help you relocate the home, is that right?

A (Witness nods negatively)

Q No?

A I received two loans from the SBA for a total of $63,000, as you were correct in saying, plus the follow-on for $13,000.

Q What was the other $13,000 for?

A So I could move.

Q That was your relocation expense?

A No, it is still a loan.

Q It was for relocation. It was a loan.

A Okay. I don't recall it being stipulated as such.

Q It was a total of $63,000?

A That is right.

Q What is your monthly payment on the total loan?

A Both loans total $295. The $50,000 loan is $239 and the $13,000 loan is $56.

Q Do you recall the maturity on them, how long they are for?

A 30 years.

Q 30 years?

A Yes. The $50,000 loan was at three different interest rates, which I can't give you the exact figures.

Q I recall those. It was a sliding scale you were paying. 1 percent on your first $10,000?

A That is right, and 6 and five-eighths on the next 30 and 3 percent on the last ten or something like that.

Q Okay. Mr. Randel, are you employed now?

A No, sir.

Q So you have your income from pension or Social Security or both?

A Yes.

Q All right. One of the things that we wanted to talk to the borrowers about are proposals to change the program, and one of the items that has been proposed is to change the interest rate on the loans.

Now, this would not change yours in any way because you already have it. We can't change those.

A You can't change existing loans?

Q No, sir, but for future victims, obviously it could be changed.

A This is true.

Q One of the proposals is to increase that interest rate, and everybody would have to pay 14 percent instead of the sliding scale amounts that were in effect when you had your disaster.

The effect of that on someone situated like you would increase your monthly payment by about two and a half times. Without asking you what your monthly income is, I assume that being retired, that that would be virtually impossible for someone in your situation to make those payments?

A Correct.

Q All right. What was your experience with SBA on gettin this assistance?

A It seemed at times to drag, but I knew that there were certain things that had to be done, and on an overall picture, I am very happy, very satisfied with them.

Everybody that I contacted was as helpful as they could be.

It is something that I wouldn't like to say I would recommend to you or to anybody because I don't want anybody to go through it.

The problems that I had on my lot put my wife in the hospital.

Today, we jokingly say she is on the pill -- four bottles of pills on the table. She must take 16 or 18 pills a day for various things. She has got a deficiency there and there is high blood pressure, and she takes six or eight in the morning, two at noontime and six or eight more at night.

Other than that, why, all right, she goes to the doctor maybe once every two or three months and he checks her blood pressure to see that she is all right.

We are not complaining.

Q Were you satisfied with the way SBA helped you?

A I was satisfied.

Q Okay, what do you think about the interest rate? Now, you have kind of viewed this from two different angles.

You viewed it both as a homeowner who was hurt by a disaster, and you view it as a taxpayer paying to support a program like that.

What do you think a disaster victim should pay in the way of the interest rate?

A The interest rates that you suggested, we talked it over before I came in, and I would put a slightly lower figure, believe it or not. I would put about twelve.

Only basing it approximately in my mind as two-thirds of the current interest rate, so that year by year it could fluctuate rather than the straight 14 percent and you can go to the bank and borrow money for 16 but if you are going at 16, then the SBA loan would be like 10.70, about two-thirds of the current interest rate, they loan to the large buyers.

Q The prime interest rate?

A Prime interest rate. Two-thirds of that.

I think that they should only be loaned the amount in excess of what they recover, or, in other words, if in my case I got nothing out of my property. It is gone. I wanted to get rid of it. It caused my wife all kinds of problems. You want it, you can have it. Here is a piece of paper from the city. You got to destroy the house. Do you know this part of the country?

Q I have driven through it.

A Okay. I live in Oceanside.

Some people I know sold their houses, sold their lots. That money should be turned over to the government to reduce their loans.

Q Okay.

A If they are collecting any money from the insurance company or anything, that money should go in to reduce their loan which I think is only fair. This is my personal opinion.

Q Well, the insurance money itself is used, but it is used in a different manner. It is used to determine the amount of the loan in the first place, subtracted from the amount of the gross loss so that if you had a $90,000 home that was completely destroyed, $50,000 for insurance, your maximum loan eligibility --

A Okay, would you have gone on the same basis as the common man knows the fundamental workings of it?

Q On the interest rate, do you feel that with the limited income that you and other retired people have that you could pay a 12 percent rate?

A No.

Q So although you think, I guess I am a little confused about your earlier comment that you thought it should be about two-thirds of the prime rate?

A Right, you said 14, and I was thinking 12, only for numbers, not for actualities.

Q All right.

A It should be determined upon a person's ability to pay.

Q So you think if someone has the financial resources or the income to pay 12 percent, he ought to be paying that, but it should be scaled down for those that are not able to pay 12 percent?

A That's right. I know when I applied for the program, I heard, of course, it is a big office, you hear things.

They were people from San Diego, they were just getting grants rather than loans because they are low income.

Q This was last year?

A Oh, no, this was about two, three years ago.

Q It may have been a state grant or something from the Department of Housing and Urban Development?

A I heard them talking about it in Escondido when I was there.

Q I wouldn't want you to think SBA had a grant program that nobody told you about, because they don't.

A That's right.

Q Okay. Is there anything you would like to add to your statement?

A No.

Q Any recommendations or changes?

A I have two loans. They are due on different days. I get two slips of paper from Denver. I am going to send them both back in one envelope with one check, two checks; it doesn't make any difference to me. I am on Social Security and I get my checks free, so it doesn't cost me anything to tear off one or two.

Somebody is buying the checks and aying two, three cents apiece for them. They look to those things, but I think when two loans come out there is not that much difference; you are not talking more than 15 days on either loan.

You either go up 15 or down 15. You got to catch the two together, and it should be one date, or it should be explained to the people that you have two loans, two different dates. Would you prefer it all at one time so you can pay it with one check?

Q Can't argue with you on that.

A No, I have contacted San Diego, the phone number that they give me, and they didn't seem to know what could be done.

I said, well, can I send one check with two slips of paper?

I think one is due the 20th, and the other is due the 28th, so it doesn't make that much difference to me. I will pay them both at the same time.

Q You won't have any problem with that?

A Well, I paid for a year and a half, but I got 350 more payments to go, whatever the postage rate is now, we are talking about $75 more.

It is only numbers.

Q Well, Mr. Randel, we certainly appreciate your coming down here this evening.

A Fine, you people have a job to do and you are doing a good job and I am willing to let you know it. That is the way I feel about it. I wanted to let you know.

(Whereupon, at 7:45 p.m., the deposition of MORTIMER RANDEL was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, MORTIMER RANDEL, acknowledge that I have read the foregoing deposition and that it is true and correct.

MORTIMER RANDEL

Dennis
dd
7:30 p.m.

#52

DEPOSITION OF WILLIAM McFARLANE

Wednesday, April 22, 1981

VISTA, CALIFORNIA

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WILLIAM McFARLANE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. McFarlane, on behalf of the House Small Business Committee, I would like to welcome you here and say we certainly appreciate your coming by this evening to give us your views on the disaster assistance you have received. In light of that, your opinion on some of the changes now being considered by Congress in that disaster program which is administered by the Small Business Administration.

You do understand that your statements here tonight in no way affect the loan you have from the Small Business Administration. We simply are seeking your opinion and your views on the proposed changes.

A Right.

Q Could you state for the record, please, sir, the address of the residence which was damaged and the circumstances surrounding that damage?

A The address is 32929 Urban Avenue. That is in Lake Elsinore. Ten days before the flood, I was persuaded to get the insurance, National Flood Insurance, even though I was advised that there's no such animal; that is insuring a sure loss. My broker called Bethesda, Maryland, verified it. I got everything in on time due to my broker's diligence. I think that's the main thing of this whole disaster set up: Someone willing to put in a lot of diligence. I was insured. The water came up, knocked down my reinforced concrete block wall. I ended up with three and a half feet under the front end of my property -- of my house and approximately eight to nine inches inside the house. My house is on a slope. Therefore, the front was in water much deeper than the back.

Do you want me to continue?

Q That detail will not be necessary. The result is what I seek.

A When I went to the disaster center, they gave us umpty-ump -- very many forms. Someone started saying sign every application so that you know you are safe. I don't feel there was enough emphasis put on that, because I know some people missed the boat because they didn't think they would ever need the SBA loan.

So, much to their disappointment, they were automatically ineligible. Everything that the Small Business Administration said, except the thing that I will quote not -- and I do it in a constructive mode -- I think was superb. What they said in the instructions was accurate. The dates that they gave me as to when to come here, what would happen, what I could expect, and at what date I would get my money was absolutely on the nose.

Mary Gillette is the one who worked with me here. I was out of here in 15 minutes. I should qualify everything I am saying here. I am a real estate appraiser with a designation with the American Society. I have an advantage over other people in reading these instructions and known what they really mean. I didn't have much difficulty. Mary Gillette was superb in my estimation. She was accurate. We just went through the thing hand in hand, practically, and just bounced the things back and forth to make sure we were on base all the time.

I put the loan off until I had my house. I came back, signed the application. The money came to the escrow within three days of what it was supposed to. I think that is superb.

By mistake the bank put it in my personal account, which could be disastrous if you get somebody that wasn't trying to be honest. I could have walked off with it and said "Thank you very much; Christmas is here."

There is one thing, though I want to get to. I am doing it -- the only reason I am bringing this up, it almost caused chaos. I will just read it. I wrote it immediately.

"I was by today at 10:45" -- Here is what the inspector who came to inspect my house as to value said. "I was by today at 10:45" -- D. Ramirez, SBA -- I quote here -- this representative told me that the loan would be maximum equal to the fair market value of the property. My property was worth about $105,000. If I had acted on that and gone into an escrow and found out I didn't have that kind of deal, someone would have been hung out to dry. Namely me and this man because it was absolutely wrong.

Because of my background, I called Michael Allen -- that's all I know, his name -- I guess he's a supervisor here. He did straighten it out. He was apologetic. He was a little bit leery. What I am saying, why am I not getting -- I think they valued it at $90,000. Why am I not getting $90,000, why am I only getting $50,000? Actually I called -- I said, "What's the reason for this apparent discrepancy? Do I get this or don't I?" He was a little bit -- you know -- in fact, I was switched to him immediately from the girl because she knew there ~~was~~ were problems.

He straightened it out. Although he was a little bit curt at the beginning -- because he didn't know what he was getting into, I think he handled it very well.

That's the only thing. I only say this as a matter of constructive criticism. If someone was less informed in real estate, it could have been a real gigantic mess.

That's all. I really am very happy with the way I was treated by SBA. As a professional, being honest, I congratulate one governmental office that handles their stuff right.

Q In any event, as a result of uninsured loss, you did receive from SBA a loan for $50,000?

A $50,000.

Q At 3 percent?

A Correct.

Q And a maturity of 28 years?

A Right.

Q That results in payments of, I believe, $222 per month?

A Right.

Q And leads me into the hypothetical I would like to ask you, Mr. McFarlane.

What would have been the effect if that disaster assistance had been available to you but available at an interest rate of 14 percent rather than 3 percent resulting in, of course, monthly payments more than doubled?

A Okay. At 12 percent -- at 11.75 percent as I recall --

N.K.

I worked it out -- ~~the~~ my payments would be somewhere around $888. I am guessing now. I am trying to remember. I could not have bought the house. I would be renting still. That's about the bottom line. I could not have succeeded without your help.

Q Based on your experience in real estate and in the Lake Elsinore disaster, would you surmise that others similarly situated in your community would have somewhat of the same difficulty if the loans were available at 14 percent as opposed to 3 percent as far as re-establishing themselves as homeowners?

A Okay. As an educated guess by someone in real estate, I would say you would lose at least 85 percent of the people, at least 85 percent. I'm speaking conservatively. I figure your loan -- let's see.

I can't remember. I figured it out. It would just -- it would be staggering. It would kill me. I make half-way decent money. The reason is that all my equity is still stuck in the other house; and my payment there was all right, but when I go into the new house at a much higher sales price, I'm not prepared within two months to acclimate myself to a loan payment that is much higher. It's too fast. I don't think it can be done.

Q To say nothing of the situation where you might have had a business similarly affected and face the same prospect there?

A I don't think they would make it. I really don't.

MR. GRANT: Well, sir, Mr. McFarlane, I want to thank you again for coming and giving us your views. I am sure it will be most helpful to the Committee in its deliberations.

(Whereupon, at 7:45 p.m., the deposition of WILLIAM McFARLANE was concluded.)

ACKNOWLEDGMENT OF WITNESS

I, WILLIAM McFARLANE, acknowledge that I have read the foregoing deposition, and it is correct and accurate.

William K. Macfarlan

WILLIAM McFARLANE

#53

ad.
t
:15 p.m.

DEPOSITION OF MICHAEL R. A. STENSON

Wednesday, April 22, 1981

VISTA, CALIFORNIA

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MICHAEL R. A. STENSON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please?

A Michael R. A. Stenson. S-t-e-n-s-o-n.

Q Home address, please?

A 151 Fireside Drive, Oceanside.

Q You had a business that was damaged last year, I believe?

A Yes.

Q And what is the name of that?

A Tri City Printing Service.

Q Would you tell us what happened to it, please?

A Let's see, on or about January 29th was the first flood which inundated the whole area. We had six inches of water inside the building, and I had flood insurance in the amount of $5,000 and then I went down to the insurance agency and through talking with friends and everything, they said, why don't you increase it just in case?

A I said, "Well, maybe I will. Maybe I won't."

Then I went down and talked to the insurance agent and he said, "For X amount of dollars you could increase it to $100,000 or $50,000 or whatever."

I said, "Okay, $50,000."

It wasn't enough, and February 20th or 21st, I can't remember, we had heavy rains from January through February, and we heard reports that there was a lot of danger of flooding in the next couple of days because of extremely high tides and where we are situated by the Oceanside Airport, that the back-up of the tidewater in the San Luis Rey Valley Bay is in there in the river, the water coming down from the Upper River would be able to flow out so, watching the tides and everything else, I said, "Tonight is the night," so I stayed down there that night.

I started getting drowsy. The last thing I remember watching on a little TV was the Channel 8 news sign-off and that was 1:30, 2:00 o'clock in the morning and a lady that was in another business in the same building was staying there that night also.

I slept on the couch that dropped down into a bed. Approximately 3:30 in the morning, well, I think it was exactly 3:31, she come beating on the back door and started trying to wake me up, because I did doze off, and I said, okay, Susie, I think her name was Susie, "I am up, I am awake." So I had all the electricity in the whole building turned off with the exception of overhead lights. Everything was low, and I put my feet off the bed and I was already up to my ankles in water; cold shock waking up that way and groping around for the knee-high boots that I had and got a flashlight and one of them I had right by the bed, it got stuck; the other one floated to the back of the building 50 foot away so I am walking through there looking for it and turned over a few more lights and the water was coming in at a pretty good rate, about an inch every half an hour or so.

I got on the phone, called the wife at home and I called a friend of mine that had office space there with me, and asked if he could come help move some things because we were above the water level there. Things were floating all over the place. He had a park three blocks away.

While I was on the phone, there was a large thunder-type sound and a big, bright flash of light that lasted about three seconds or something. Water had hit the underground utilities, and here I am standing on the phone and up to my knees in water, and it is an eerie feeling and everything went black, and dead, and that was that.

He finally came down, and we were lighting candles and flashlights and trying to get the papers that we could salvage up above water, the important records up above water, and we had 12 inches of water and three inches of silt and mud.

That is about the extent of all the damage.

Q So you had insurance coverage of $50,000 on it, then?

A Right.

Q And obviously damage over and above that amount that you went to SBA?

A I believe the bottom line was $88,199 and change, what we finally came up with.

What had helped process most of the SBA paperwork was the independent adjustor that was, I believe, hired by the insurance company, the government or whatever, the National Flood Insurance

Association, come down, and he did a quite in-depth listing of everything that was damaged and pricing it out and everything else, and I guess he was getting paid by the page or whatever, what he had to submit, but he had to do it, and it was one of the most lengthy claims that he had down there in that area because there were several others that he was doing, and by the time he got through, I think we ended up with 176 pages because they had a list.

It was not like listing in some other business. He had to list it out by sizes of paper, different weights of papers, colors.

In the printing business you got various amounts of different kinds of stock and prices on each one and, as he walked through there, he was saying, well, he says the stuff up there, I am going to write it off. I looked at him funny and I said why. He said, "I have gone through this in other places." I had envelopes stacked eight and a half feet on shelves, and he said, "Open up any box up there." I will be damned if they weren't glued shut. He says, "You can't sell those." I said, "Okay, you are the boss. Continue."

Q You got your loan from SBA with a 25 year maturity repayable with 5 percent interest at $151 a month?

A Right.

Q One of the proposals to modify the program that is under consideration would be to increase the interest rate to

14 percent on new loans that are made, not on yours. You have already got it.

You have participated in this program and also are a taxpayer, so you kind of have a dual role.

A Right, both ends.

Q What would be your opinion on the interest rate on this type of loan? What should it be?

A Well, I am very happy with 5 percent, of course, with the amount of inflation and everything else, the price of money.

If I had to, I might say, if it was a real tough fight, I would say maybe split the difference and go to the lower side and split the difference if it had to be, if there was no other alternative. That is a little high.

Q Do you think it would have helped you if you would have had to pay 14 percent on it?

A At the time I guess something is better than nothing when you haven't got nothing, but the initial $50,000 just went so quick.

We had, rather than lay off my employees--this is another thing. I don't know if other businesses did.

I hired, well, I kept them on and hired parts of their families, even teenagers to help with the clean-up. It is in the file. There is one there where I put down janitorial help and listed all their names and there was seven out of the Martinez family, and with the rest of the employees, I didn't lay anybody off. I kept them all on and in such a capacity where they were helping clean up and put stuff back in some semblance of order because it was, I believe, almost May before we were ready to open the doors again.

Q Now, in one sense you were fortunate in having obtained that increase in your flood insurance right before it happened.

What do you think the situation would have been had you not obtained the insurance?

A I would be out of business.

Q And you would have needed to pay 14 percent, for example, on $80,000. Could you have paid that?

A I don't think so. I think I would have been out of business, and I have been a printer for 21 years now.

Q Could you have paid 5 percent on the $80,000 if you had not had the insurance?

A Do you have any idea what the monthly rate would have been? I could go better that way.

Q I would guess someplace in the range of $450, maybe.

A At 5 percent I could have done it probably. It would have been a rough go.

Q How many employees did you have at the time of the disaster?

A Five full-time, one part-time, I believe. I am pretty sure that is what it was.

Q How many do you have today?

A Six full-time, two part-time.

Q Okay. Is there anything else you would like to add?

A Don't drop the program. I hope it is there if I need it again, God forbid.

MR. POWERS: We hope so, too.

Okay, we appreciate very much your having coming down to talk to us. Your information will be very helpful to us.

(Whereupon, at 8:30 p.m. the deposition of Mr. Stenson was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Michael R. A. Stenson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Michael R. A. Stenson

MICHAEL R. A. STENSON

#54

rol/gay
:05

DEPOSITION OF JOE DAVISON

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

JOE DAVISON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Davison, on behalf of the House Small Business Committee, I want to welcome you and say that we certainly appreciate your coming by to share your views with us on the disaster assistance you received, and on certain proposals now pending before Congress.

You do understand that your statements here today will in no way affect the disaster assistance you receive from the Small Business Administration?

A Yes, sir, I do.

Q Would you state for the record your name, your business operations, and the effect of the recent disaster?

A My name is Joseph R. Davison, D-A-V-I-S-O-N. Company is Flochal, F-L-O-C-H-A-L, Inc. We do business as Follows Camp, F-O-L-L-O-W-S C-A-M-P.

Follows Camp is a recreational vehicle park, a trailer park, and we have a small restaurant, and we also have a small, primarily a bar and restaurant also on the property.

We handle approximately 42 acres at this time. We handle approximately 200 trailer rigs or overnight campers when the facilities are finished.

The flood started last January 29 with us. We had originally had Follows Camp, and July the year previously we had acquired Shady Oaks and had operated it as Follows Camp-West on contiguous property and operated it as one entity.

We were starting to operate it and the flood came down January 29, which is my birthday, and literally removed all our campgrounds, over-bridge approaches, the two toilet buildings which are facilities for the campers. For five weeks the only way in and out of our campground was via cable car across the river supplied to us by the flood control district up there.

I was working full-time at a job that I had had 18 years in Newport Beach and commuting back and forth and putting all my income in, as well as the income generated by the camp, to make it an economically feasible thing.

We were decimated for all practical purposes after the flood. We had no toilet facilities, no campground facilities. My own financial ability to borrow money to reconstruct, it honestly would not have been feasible at the current interest rates.

I was able to get construction short-term loans, which still cost me quite a bit, but I would not have been able to put the campground back, which employs during the summertime between 12 and 18 people and during the winter about ten people.

We would have still had property, but it would not have that we would have been able to function. Although we had equity in the property, it could not generate the cash to pay for it to pay this loan back without the help of the lower interest rate loan.

Brad.
dmt

Q You received a loan for approximately $180,000 for a period of 30 years at an interest rate of five percent?

A That is correct.

Q YOu did state that without this assistance you would not have been able to re-establish?

A That is correct.

Q Let me ask you then, Mr. Davison, the first of a couple of hypotheticals.

Let's suppose that the assistance available to you from the government which you say you would not have been able to get anywhere else were to have been available not at five percent, but at 14 percent interest, what would that have done to your ability to recover?

A Well, it would have perhaps made it not, that I could have paid it back. The difference in the payments, it would have just about doubled the payments.

Q The difference in the payments would be something over twice as much per month?

A That is what I roughly figured it out.

Q That is right.

A Last year, as I say, we had to plow. This year we are going to plant now to get the things back to where they were and we just would not have probably been able to make that additional payment.

Q In regard to the other flood disaster loan you had in 1978 for $39,000, was that also of benefit to you?

A Yes, sir.

Q And necessary to your business, re-establishment and continuing in business?

A Yes, sir.

Q The other question, the other hypothetical question is, Mr. Davison, if the assistance were available to you at 14 percent per year and also available only to the extent of 60 percent of the damage you suffered rather than being available for one hundred percent of the uninsured damage, what effect would that have on your ability?

A Well, the 14 percent would have posed a problem.

As it was, we had over $280,000, almost $300,000 worth of damage. I personally did not, and your very first 230,000 plus, not counting some of the other things, so I probably drew sixty percent of my total damage, but to me I did not want to draw any more because the economics, I felt I would live with the payment of $974. I did not want to try to live with a $2,000 payment because we would have been on too close a line for a man to do. If we had a few bad months, it could have hurt us too badly.

Q I was thinking in terms of someone who experienced disasters in subsequent years given the 60 percent of damage limit on a disaster loan, it would almost seem that that individual would be backing up?

A You would be going backwards, yes, sir, if that were the limits that were imposed, if you had them back to back, hopefully we don't have disasters back to back. That is what we have to hope for.

Q I take it, Mr. Davison, you were satisfied with the disaster assistance you received from the Small Business Administration?

A Very satisfied with it. I felt that the people would probably be most cooperative of any of the governmental agencies I have ever had to do business with as far as their concern for the people that were hurt.

They were inundated, I understood all of that. Hopeully it could have been speeded up, but these things come in one great big bunch and they have to work through it and a logical person will figure that out, but their manners, they were just very cooperative and very helpful.

We had all your forms to fill out, which takes a lot of work, but they are also safeguards and I can't dispute that.

Q You do endorse this as a government program you feel would be worthy of continued taxpayer support and necessary to recoup in the event of a disaster and especially in the event of multiple disasters?

A It does keep us working, and it keeps money coming back in that will, when you have a disaster like that, it takes out a whole area. It is hard to rebuilt just a portion of it.

Q Well, Mr. Davison, I want to again thank you on behalf of the committee for coming this morning and giving us your views.

(Whereupon, at 12:15 p.m., the deposition of JOE DAVISON was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, JOE DAVISON, acknowledge that I have read the foregoing deposition and that it is true and correct.

JOE DAVISON

#55

Dennis
dmt
12:30

DEPOSITION OF BORIS DIADYK

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

BORIS DIADYK

was called as a witness and, after being first duly sworn, testified as follow:

EXAMINATION

BY MR. GRANT:

Q Mr. Diadyk, on behalf of the House Small Business Committee, I want to thank you for coming this afternoon to give us your views on the disaster assistance you received and your opinions as to certain proposed changes now pending before the Congress.

You do understand that any statement you make today regarding disaster assistance will have no effect on the loan which you received from the Small Business Administration?

A Yes, I do.

Q Would you state, please, for the record, your name and the address of the home that suffered the recent disaster?

A Boris Diadyk, D-i-a-d-y-k. It is 22420 Kearny Street, Woodland Hills, California, 91364.

Q What was the nature of the disaster you suffered at your home?

A Extensive flood and mudslide damage.

Q Approximately what percent of your home was destroyed as a result?

A I would say approximately maybe as much as thirty percent.

Q As a result of this disaster you qualified for and received from the Small Business Administration a loan to cover uninsured loss of approximately $49,000 with a maturity of 25 years?

A That is correct.

Q At an interest rate of three percent?

A That is correct.

Q I believe you are now paying approximately --

A 285, I believe.

Q -- 285 dollars per month on that loan?

A Correct.

Q The first hypothetical I would like to get your views on is if the disaster assistance available were changed to make the loan which you had at an interest rate of 14 percent with a resultant monthly payment of approximately $577, what would be the effect on your ability to recoup after a homeowner diaster?

A There was no way at all. Besides the first mortgage, there is a second mortgage involved.

The first mortgage is approximately $310 and the second mortgage is approximately $100. If you are talking about $410 plus another $500, this is totally impossible ~~on~~ my income or my combined income and my wife's income.

Q The effect would be even more devastating if there were no SBA homeowner assistance available at all in a disaster such as you suffered?

A Yes. Very much so because our insurance company refused totally to compensate us for any damage at all because they invoked certain clauses that a flood is not covered by the insurance.

Q I take it then that you do favor continuing the SBA loan assistance to homeowners at the three percent interest rate and available in the event of uninsured disasters to homeowners?

A Yes. Definitely. In some cases there is no other way to rebuild your home.

Q Do you think based on your experience in this flood and your knowledge of your neighbors and friends, that they would endorse such a program as well?

A Definitely here in a mudslide area, in an earthquake area. We are only basically insured against fire. The other disasters we suffer continuously is mudslides and earthquakes. Earthquake -- I inquired regarding an earthquake policy. It is outrageously expensive to cover. Unless we have some government assistance to cover some disasters, we would be in pretty bad shape.

Q Mr. Diadyk, I want to thank you very much for coming today and for giving us your views. I do take it you were satisfied with the assistance you received?

A Very much so. Very professional.

Q And you endorse the programs being continued?

A Very much so.

MR. GRANT: Thank you for giving us your views.

(Whereupon, at 12:35 p.m., the deposition of BORIS DIADYK was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, BORIS DIADYK, acknowledge that I have read the foregoing deposition and that it is true and correct.

Boris Diadyk
BORIS DIADYK
4-23-81

#56

Carol/gay
12:40

DEPOSITION OF JACK D. ANNETT

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

JACK D. ANNETT

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Annett, I would like to thank you very much on behalf of the Small Business Committee for coming this morning and agreeing to give us your views on the disaster assistance you received and your opinion as to certain changes in the program now before the Congress.

I know you understand that any statement you make today will have no effect on the loan you receive. We simply solicit your views on the assistance available.

If you would state for the record, please, sir, your name and the address of the home that suffered the flood damage in the recent disaster.

A My name is Jack Annett, and my home is at 22322 ~~Tiera~~ TIARA Street in Woodland Hills.

A year ago February, we have a hillside in our backyard which was, when the house was built in 1960, the contractors were allowed to build, cut slopes at 45 degrees. About 200 cubic yards of mud and debris and trees, about the top four feet of this slope just slid in heavy rains and came down into the backyard into the pool, displaced the water in the pool.

I had a dance platform across the pool and the mud drove it through the windows of the house. All the water from the pool went in the house. It was a mess. Nobody was injured.

I have nothing but praise for the way the SBA treated us.

At the time we had a first and second mortgage on the house. I doubt if we could have got any more mortgage money. We probably would have lost the house if it hadn't been for this program.

Q I understand, and as a result of your uninsured damage and as a result of your qualifying for the SBA assistance, you did receive a loan of $46,000 for a period of 20 years at an interest rate of 3 percent.

A Right.

Q And you do state without this assistance you simply would not have been able to recover from the disaster you experienced.

A Probably, that is speculation at this point, but I imagine that we would have had to sell the house because we couldn't have afforded it.

Q The payments on your loan are $259 per month. Would you give me your view on the hypothetical that if there had been a 14 percent interest rate in effect on the loan you received from SBA with a resultant payment of $559 per month?

A As opposed to what?

Q $259 a month, what would this have done to your ability to recover?

A We probably could have handled it. We weren't that type, but if we had still been able to get the loan, we could have probably handled the extra $200 a month.

We are in a pretty good income bracket. We are not low paid people and my wife and I both work, so we could have handled the difference.

Q The differential in the payments was not fatal, but the lack of any assistance would have been.

A Right.

Q I see.

Mr. Annett, based on your experience in this disaster, and those of your friends and neighbors, I take it then that you do endorse the interest program?

A By all means --

Q I mean, the SBA disaster program now in place?

A I didn't know really what you were going to ask. I just wanted to--this is a sort of a statement I made of my general impressions of the SBA and how efficient and how cooperative and their whole attitude.

To me, they didn't act like what I class a typical civil service reaction, and I sort of went on about the contrast between the SBA and the local government agencies that we have to deal with in the process. I have nothing but praise for the SBA.

MR. GRANT: Well, thank you, sir. We will be glad to accept this, along with your statement, views and opinions. Again, on behalf of the committee, thank you.

ANNETT

(Whereupon, at 12:45 p.m. the deposition of Jack ~~Arnett~~ was concluded.)

– – –

ACKNOWLEDGEMENT OF WITNESS

I, Jack D. Annett, acknowledge that I have read the foregoing deposition and that it is true and correct.

Jack D. Annett

Jack D. Annett

#57

Dennis
dmt
12:55

DEPOSITION OF MARY VIRGINIA ZOITL

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

MISS MARY VIRGINIA ZOITL

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Miss Zoitl, we would like to thank you for coming today to give us your views on the disaster assistance you received and in light of that your opinion on some of the changes which will be considered in Congress in the coming weeks.

I know you understand any statement you make today has no bearing on the loan you received and will in no way affect that transaction.

We simply seek your opinions.

Would you please describe the damage you suffered back in March of 1980 to your home at 1045 Lavender Lane, La Canada, California?

A Well, we had -- La Canada is in the foothill area. In addition to the tremendous rains, we also suffered a lot of wind damage along with the rains. In this whole process, some of the larger trees managed to have limbs removed and some of those limbs actually pierced the roof of the house.

Every time it would rain, which was every other day, all of a sudden water was gushing through the roof.

Considerable amount of damage was done. I have a shingle-type roof. There was a considerable amount of damage on that. In addition to that, there was again a lot of tree debris that got into the gutters,and as a consequence the gutters were literally pulled away from the house. They needed replacing.

Some of my ceilings have that acoustical-type ceiling. One ceiling was severely damaged with that. Other ceilings that had just been painted about two years ago suffered more water damage. There was some damage done to the interior walls. The house sort of sits on a slope and there was between the water and the wind a good portion of my fencing was knocked over.

The fencing is both chain link and grape stake.

There were -- a lot of the grape stakes were down. One whole section went down. I had a gigantic ~~orange~~ ? tree felled. The soil had gotten so moist that both the driveway and areas of the pool decking swelled to the point that the driveway and pool cracked.

That is just about the sum and substance of it.

Q As a result of this extensive storm damage you suffered, you did qualify for and receive a loan from the Small Business Administration for uninsured loss in the amount of approximately $7,000.

A Yes.

Q This then was for a period of 7 percent at an interest rate of three percent, I believe?

This resulted in payments of $95 per month and I would like to ask you, ~~Mrs.~~ Miss Zoitl, if the effect of raising an interest rate on a loan such as you had to 14 percent would have worked a hardship on you as a result of the disaster you suffered?

A If we are talking about the same payback time, it most assuredly would.

Right now I am strapped to the absolute hilt paying the 95. I had hoped for a longer term on the loan, but, as I said, if the interest rate were to go from three to 14 and the payback time would be the same, I assume that $95 would jump considerably.

Q Would you have encountered a difficulty in securing other financing if the Small Business Administration loan program had not been available to you?

A In my estimation, I would have. The reason for that is that at the time of the disaster or my potential application for a loan, I had not yet been employed for a year and that sort of was one of the basic ground rules, at least in California, for any kind of establishment of credit.

Q I take it your experience with the disaster lending program was satisfactory and that you would endorse this being available in the time of wind or flood or fire damage to citizens?

A Yes.

Q Citizens similarly situated as you were?

A Most assuredly.

Q Well, Miss Zoitl, I would again, on behalf of the Small Business Committee, like to thank you for coming and giving us your experiences and views on some of these proposals. Thank you very much.

(Whereupon, at 1:03 p.m., the deposition of MARY VIRGINIA ZOITL was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, MARY VIRGINIA ZOITL, acknowledge that I have read the foregoing deposition and that it is true and correct.

MARY VIRGINIA ZOITL

#58

Dennis/gay

1:05

DEPOSITION OF DONALD JACKSON

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

DONALD JACKSON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Jackson, again, on behalf of the House Small Business Committee, I would like to thank you for coming this afternoon and making available to us your views on the disaster assistance you received and your opinion as to certain changes in that assistance that are now being proposed.

You do understand that any statement you make has no effect at all on the loan you have received. We simply are seeking your opinions.

A Yes.

Q Would you state, please, sir, for the record, your name and the address at which the disaster occurred?

A Donald H. Jackson, 9840 Sunland Boulevard.

Q In Sunland?

A Sunland, California, 91040.

Q Would you give us your experience in the disaster, please, sir?

A Well, you want me to begin from the beginning in February?

Q Yes.

A I am not certain of the date. It was around the 16th of February.

Q February 1980. You had a flood and mudslide?

A Yes. You want pictures?

Q That won't be necessary.

A I have beaucoup.

Q I understand. Our record is so large we won't have space for photographic reproductions.

A It wiped out three walls, tore down, say, 300 feet of brick walls. The mud was four feet deep in the house in two rooms and two feet deep in the parking areas. Tore down two carports.

Q Mr. Jackson, the damage to your home would be approximately what percent of your dwelling?

A 75 percent.

Q As a result of the damage you suffered you did qualify for the Small Business Administration's disaster lending to homeowners. That loan was made for uninsured damage to the extent of $48,900, I believe?

A Yes, sir.

Q A 20-year maturity at 3 percent?

A That is right.

Q I believe that results in a monthly payment of approximately $225 a month?

A That is right.

Q Understanding that that payment will not change, let me ask you a hypothetical. If one of the proposals now pending were in effect, that loan might have been at a rate of 14 percent interest, which would result in a monthly payment of almost $600. What would such a change in monthly payments do to you in trying to recover from a disaster similar to the one you experienced?

A Devastating. The reason is that the house was clear. Now I am under for $50,000.

Q For someone who is retired, this unexpected happenstance late in life is, I am sure, very difficult.

A It would just have made it impossible to redo.

Q Based on your statement, I would assume that that would also be true if there were no such assistance available whatsoever?

A That is true. That is true.

Q Based on your experience and those of others that you might know of to the extent of your knowledge who suffered from the disaster in Sunland, you and your neighbors would endorse the assistance you received from the SBA and the continuance of such a program to be available to disaster victims?

A Oh, yes, definitely.

Q I would ask you, Mr. Jackson, if there are any other statements you would like to make concerning the disaster assistance you received? Please feel free to do so for the record.

A Other than I found the program that I was handling -- the way I was handled in the program was very fine.

Q That is fine. We do thank you for coming by and giving us your experience and your views.

(Whereupon, at 1:10 p.m. the deposition of Donald Jackson was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Donald Jackson, acknowledge that I have read the foregoing deposition and that it is true and correct

Donald Jackson

Donald Jackson

#59

Carol/gay
1:15p

DEPOSITION OF RICHARD LEE ROBINS

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

RICHARD LEE ROBINS

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q On behalf of the House Small Business Committee, thank you very much for coming this afternoon and agreeing to give us your statement based on the disaster you experienced and also your views on certain proposals now pending before Congress

You do understand that anything you say will have no effect on your loan or the assistance you received?

A Yes.

Q Fine.

Would you state for the record, please, your name and the address of the residence affected by the disaster?

A Richard Robins, R-O-B-I-N-S, 3392 Coy Drive, Sherman Oaks, 91423.

Q Tell us your experience as a result of the mudslides and flood on February 16, 1980.

A Off the record for just one moment.

(Off the record)

On February 9, 1980, it was exactly at 4:59 because that is when the alarm system went off. We were not home. We left about an hour before. It had rained for the entire week before, about 14 inches of rain.

We came back to the area where we live that evening, could not get down the street because of debris blocking the street, and it wasn't until about 10:00 that evening that I reached home. When I parked the car, it sounded like water was running through the water main in the garage.

I walked up to the front door, and there was about an inch or an inch and a half of water as I stepped inside.

I walked to the rear of the home, and a wall extending from about the breakfast room to the living room was pushed inward and upward to the ceiling.

What had occurred, as we discovered the next day, is that the hill behind our house, which is about 250 feet in length, a portion of that hill had slid down, creating a pathway about 25 to 30 feet wide, about 250 feet long. Approximately 250 tons came down the hill, knocked over the retaining wall, carried the retaining wall into the back of the house, and filled the back portion of the house with mud, knocking out the wall in the process.

Brad.
dmt

Q And as a result of this disaster, you qualified for a Small Business Administration homeowner disaster loan, and you did receive for uninsured damage a loan in the amount of $45,200?

A Well, at the present time we received approximately 40.

Q Disbursed so far?

A Forty of the forty-five has been disbursed. We have been approved for the other five and we are in the process of putting the papers together to request the remaining five.

Q That is fine.

A This loan has a maturity of 30 years at an interest rate of three percent?

A That is correct.

Q This results in payments at the present time of $192 a month, I believe.

A That is correct.

Q One of the hypotheticals I would like to ask you is, if this assistance were made available to you on the same basis with the exception of the interest rate being 14 percent, and the monthly payments were elevated to $521 a month, what effect would that have on your ability to recoup as a homeowner?

A Well, under the circumstances that existed at the time I wouldn't have any choice if the interst rate were raised because, if I didn't get the $45,000 from the Small Business

Administration, I would have been forced to borrow the money from somebody else at that same or higher rate, so if I was forced to pay $500 a month instead of $192, as a homeowner, I wouldn't have any opportunity to do anything else unless I walked away from the property.

Q Absolutely. The effect of the Small Business Administration assistance not being available at all would have been what?

A If the $45,000 or some part of it was not available?

Q Yes.

A Well, the effect would have been that I either would have walked away from the property because I wouldn't have been able to pay for it out of my own pocket at that time, or what probably would have happened is I would have made arrangements through some other financial institution to get the money to make the repairs, and as far as I am concerned, I would have contacted another financial institution to make the repairs.

Q You have something in regard to the assistance you received you would like to state for the record?

A Well, insofar as the monies that were provided by the Federal Government, invaluable.

Without those monies and those monies coming as soon as they did, we would have had substantially more problems than the problems we already were facing at that time so a one word description would be invaluable.

Q Based on your experience as a homeowner, were there others in your neighborhood similarly affected who relied on Small Business Administration loan assistance?

A Both neighbors on either side of my house applied for Small Business Administration funds.

To my left, Mrs. Murray has recently received her monies although she was not forced to move out of her house, and to my right, Mr. Siegal has received part of his funds and is waiting for the remainder. Although I can't speak for them, from the damage that they sustained, they needed the money as much as I did.

MR. GRANT: Mr. Robins, I want to again thank you for coming and giving us your statement.

(Whereupon, at 1:25 p.m., the deposition of RICHARD LEE ROBINS was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, RICHARD LEE ROBINS, acknowledge that I have read the foregoing deposition and that it is true and correct.

RICHARD LEE ROBINS

#60

arol/gay
:30p

DEPOSITION OF JOE MATZA
Thursday, April 23, 1981
BURBANK, CALIFORNIA

- - -

JOE MATZA

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Matza, on behalf of the House Small Business Committee, I would like to thank you for coming today and agreeing to share your experiences in the recent disaster and give us your views on some of the proposed changes before Congress.

I believe you understand that nothing you say here today will in any way affect your loan from the Small Business Administration. We are here merely to seek your opinions.

A Great.

Q Would you state please, sir, for the record, your name and the address of the home involved in the disaster?

A My name is Joe Matza, 26729 Latigo Shore Drive, Malibu, California.

Q Would you describe the circumstances of the disaster to your home?

A Well, you have the exact date there, but the rainstorm and a tree on the north side of the house was blown down and it uprooted -- well, not uprooted, but it peeled up the sidewalk. I think what happened is the water flowed in, got in the foundation and the south side of the house settled about six inches, so basically the ground got saturated and the foundation was put off balance. It sunk.

Q Could you put a percentage of destruction on your home as a result of that?

A Well, for tax purposes, we had an appraiser come out and the house was valued we bought it at $375,000, and he estimated, if we put the house back on the market, we could probably get around $300,000, so there was about a $75,000 market value loss.

I personally believe that it would be real hard to sell a tilted house.

Q I was going to ask you if that was put back into pre-disaster condition, or he estimated that you could sell a tilted house for only $75,000 less?

A Oh, yes.

(Discussion off the record)

I would have a hard time selling it. I would have to tell the buyer I will fix it.

Q You did receive a loan from the Small Business Administration for $35,000?

A Right.

Q It has a maturity, I believe, of 20 years, and it is at a 3 percent rate.

A Correct.

Q This results in payments of $197 a month at the present time. There is a proposal before Congress to raise the homeowner assistance loans interest rate available from SBA to 14 percent. On a loan such as you had, that would result in a loan payment over twice the loan you are presently paying?

What would be your views as to that sort of a change in SBA's program?

A My father-in-law, who is presently my partner in this house, is the reason I was able to get into the house, and I have an arrangement to buy the house. Without his support I could not afford an increase like that, until I make more money. Then maybe we could, yes.

At that time I would have had to have waited, and the house is still liveable. Its market value is pretty bad. You can't make any improvement because everything is tilted, so I would say I would have had to wait or made some other arrangements to get it fixed.

Q Were their others in your neighborhood at Malibu who suffered substantial damage in the same storm?

A Yes, we--within a 50 yard radius, I would say, there were two other houses that had some kind of slide problem.

Q What do you believe the effect would have been on your ability to re-establish yourselves as a homeowner in the present home if the Small Business Administration loan program had been not available at a higher interest rate, but not available at all?

A Well, I certainly would not have taken advantage of any opportunity to consider fixing it right away.

I would have been faced with finding the resources to fix the house. As I said, it was liveable. As a lot of people, we didn't have to move out, but I would have had to have gone around to private sources or other lending institutions to get the money.

We had things like -- we have a lot of cracked foundations. The house is sort of bowed in the middle so it is uncomfortable. It is not dangerous. We are on fairly flat ground, not a cliff. It sunk on one side. Maybe it was fill or an ancient slide, but it is not like we are going to fall off a cliff. If the same would have happened and I were on a cliff, I am sure I would have moved out and been faced with a homeowner type of dilemma.

Q Was your experience with the SBA program satisfactory?

A Fantastic. As a matter of fact, I got the first $5,000 installment, and the structural engineers have not completed the way in which they are going to lift the thing up yet, so I have not been short on funds. It has been fine.

Q Then you do endorse its continued availability for those members of the public who suffer from situations as you have?

A In any significant disaster, I think it is the greatest thing about the government. One of the best things they can do is help out people in those kinds of situations.

MR. GRANT: Again, thank you very much.

(Whereupon, at 1:38 p.m. the deposition of Joe Matza was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Joe Matza, acknowledge that I have read the foregoing deposition and that it is true and correct.

Joe Matza

61

Dennis
dmt
1:50

DEPOSITION OF CHARLES HUDSON

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

CHARLES HUDSON

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Hudson, on behalf of the House Small Business Committee, I would like to thank you very much for coming this afternoon to give us your views on the disaster relief assistance you received from the Small Business Administration and in light of your experience, your opinion on certain proposals that will be pending before Congress.

I believe that you understand that any statements that you make this afteroon will in no way affect the loan you have received from the Small Business Administration.

We simply seek your opinions.

A I understand.

Q Would you state, please, sir, for the record, your name and the address of the home suffering the disaster?

A Charles M. Hudson, 4215 Don Diablo Drive, Los Angeles. 90008.

Q Would you briefly describe for the record, Mr. Hudson, the result of the disaster in February, 1980, which I believe was a landslide?

A You mean what happened?

Q To your home, yes.

A I lost my entire back property. It slid down into the street below.

Q As a result of this disaster, you qualified for an SBA homeowner disaster loan?

A Yes.

Q As a result of uninsured damage and the loan amount was approximately $44,800, I believe?

A $50,000.

Q $50,000?

A It was later increased to $50,000.

Q This was at an interest rate of three percent having a maturity of 30 years?

A Yes.

Q I believe that results in payments of approximately $213 a month?

A Yes.

Q One of the proposals pending before Congress -- which would not affect your loan -- would be to increase the homeowner loan interest rate to 14 percent. This would result in a payment in a situation similar to yours of not $213 a month, but $577 a month.

What would be the effect on your ability to recoup as a homeowner after a disaster if you were faced with such a payment?

A I wouldn't have been able to do it. Period. So I don't know what I would have done.

I had a situation where I had to either fix it or get out. I wouldn't have been able to add another $500 to my mortgage, so to speak. That is basically what I am doing, whatever I add now.

I don't know what I would have done. I am just saying I wouldn't have been able to do that.

Q Some people have used the phrase, "it would have turned me into a renter."

I don't want to put words into your mouth.

A That is mild, as far as I am concerned.

Q Could you state your experience with the Small Business Administration program? Is it satisfactory?

A I am a person that believes that bureaucracy wasn't made for one person. If I was an individual, you could tailor things to suit me. You have to have rules and regulations to cover every situation. However, I spent a year trying to get started on this project. Much, much too long or hard.

Now I also understand that had they flagged my folder as being critical, it could have been faster.

I am not complaining. That is my estimation.

But even though you are talking about three percent interest, no one has given me anything. If there was no interest, I would still have to pay the $50,000 back.

Now, the one -- the biggest fault I found with that is obviously I have to correct my home or save my home by doing this.

If it rains again, I don't have any hill to go. The next thing to do is my home. I could have used that $50,000 that I ultimately have to pay back and not only corrected the situation, but gotten something out of it for my family.

For instance, the area that is damaged, I could have built a room in there instead of hauling back 30 loads of soil to pour back on the hill.

I could have built a nice family room, a couple of other bedrooms or whatever with that type of money.

I could have made that type of -- which would have more than corrected that I am doing anyway, just hauling the hill back, dirt back and compacting on my hill for $60,000. It is -- to me that is the worst -- I just -- it eats me alive. I can't help it. I can't do anything about it. I am stuck with having to fix it.

I can't go out and improve my property because I have already spent $200 a month that I could have afforded to pay adding work to my home which -- I don't have -- again, I don't have another $200 to add on to that.

In other words, if I went out and borrowed at $50,000 I would be in trouble, you see.

Here -- you know, that is the biggest part I think that is wrong with this, in my estimation.

(Discussion off the record.)

Q Let's go back on the record.

Mr. Hudson, I take it then you do endorse the availability of a Small Business Administration disaster loan program for homeowners?

A Oh, absolutely. I also think the Federal Government ought to absorb some of the loss, you know. I don't know the people that -- what if I couldn't afford the $200? Then what would I do?

Q That is a position that the government has taken into account in the past in the form of forgiveness provisions in disaster lending programs at SBA. However, those have not been in effect for some years now.

(Discussion off the record.)

MR. GRANT: Thank you, Mr. Hudson, so very much for coming.

(Whereupon, at 2:00 p.m. the deposition of Charles Hudson was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Charles Hudson, acknowledge that I have read the foregoing deposition and that it is true and correct.

CHARLES HUDSON

#62

Brad.
dmt.
2:10

DEPOSITION OF MRS.JUDITH BREIER

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

MRS. JUDITH BREIER

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Breier, on behalf of the Small Business Committee, I would like to welcome you here this afternoon and thank you very much for coming by and agreeing to give us your views on the disaster assistance you received and hopefully your opinions as to several changes pending before Congress and the effect those changes might have on a disaster victim that went through what you experienced.

I know that you understand that any statements that you make here or any of your opinions will in no way affect the loan you have from the Small Business Administration, but will simply help Congress in formulating policy in the future.

If you would state, please, for the record, your name and the address of the home involved in the recent disaster.

A Yes, it is Judith Breier, B-r-e-i-e-r, 1853 North Vista Street, V-i-s-t-a, and that is L.A. 90046.

Q And would you describe, please, the effect of the mudslide in February of 1980 on the home which you and Mr. Breier own?

A It was a slope failure that deposited tons of dirt on our patio, and back garden and in very close proximity to the house.

Was that the answer you wanted, that type of thing?

Q Certainly. Thank you.

As a result of uninsured loss to your property, you applied for and received from the Small Business Administration for uninsured loss a loan of approximately $50,000?

A Correct.

Q This loan is for a term, I believe, of 30 years, at an interest rate of three per cent?

A Correct.

Q This results in a monthly payment of approximately $213 a month?

A Yes, as I recall. I haven't as yet made a payment, therefore, I can only do that by memory.

Q One of the proposals pending before Congress would raise the interest rate on a disaster loan to homeowners from three percent to 14 percent.

Again, understanding that this would not affect your loan, could you give us your reaction as to this change which would increase your monthly payments from $213 a month to approximately $577 per month, what effect would that have on you as a homeowner in recovering from the disaster you experienced?

A It wouldn't have been easy. It would have been very difficult.

It would have. It would have been considerably more difficult to go forward with the repairs that were required.

It would perhaps delay the repairs or perhaps, no, couldn't do that. I suspect it would probably just delay the repairs.

Q What would have been the effect in a situation you faced if there had been no disaster assistance available at any interest rate from the government?

A Well, obviously we would have had to have obtained a loan somewhere else, a commercial, outside source, obviously a bank, plus sell the cars.

It would have been very difficult.

Q But I was trying to elicit your reaction to a situation in which no assistance would be available, and you were required --

A Would the work still have been accomplished, yes, yes, we had to.

Q At some cost to your personal resources and your access to credit, you feel that you could have survived?

A Yes, yes.

Q You had an experience with the SBA personnel and with the SBA program?

A Totally. It was absolutely delightful, to tell you the truth.

I did it myself. I was somewhat discouraged by friends and acquaintances, saying that it would be very difficult, that the red tape would be unending, that I would be submitting forms for years to come.

I found that not so at all. I did it myself and I found it to be very easy. I think they were extremely accommodating, not just to me, but I went to the Veterans Administration in West L.A. and it was lovely.

They had a set-up that was efficient and quick. There were people there to assist people who needed housing, who needed considerably more than I did, of course, but the attitude and the demeanor was lovely, just lovely.

Q Then you do endorse this as a reasonable and necessary expenditure of government money in response to victims in a disaster situation such as yours?

A Yes, yes. The way they are doing it now in that one has to submit bills and then they give you the money, except for the little amount they give you to begin with, I think that is reasonable. I think that is quite reasonable.

My understanding from this past disaster, the earthquake, that the government was just handing the money out, and it is our money too, you see.

Q Certainly. Well, Mrs. Breier, on behalf of the committee again, I certainly want to thank you for coming by and relating your experiences and views.

(Whereupon, at 2:15 p.m., the deposition of MRS. JUDITH BREIER was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, MRS. JUDITH BREIER, acknowledge that I have read the foregoing deposition and that it is true and correct.

MRS. JUDITH BREIER

#63

Carol/gay
2:20 pm

DEPOSITION OF JEROME B. THOMAS

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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JEROME B. THOMAS

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR GRANT:

Q Again, Mr. Thomas, on behalf of the Small Business Committee I want to thank you for coming this afternoon to share with us your experiences in the recent disaster and to give us your opinions on some of the changes now pending before Congress.

You do understand that any statements that you make will in no way affect the loan with the Small Business Administration

A Yes.

Q Fine.

Please, sir, for the record, would you state your name and the address of theresidence?

A My name is Jerome Thomas. The address is 1689 Woods Drive, Los Angeles.

Q As a result of the February mudslide and flooding, you suffered damage to your residence?

A That is correct.

Q Could you give us the approximate percentage of the damage suffered?

A The percentage of the value of the property?

Q Either way. It was not totally destroyed?

A No, no.

Q Your estimation as to whether it was 50 percent or whatever.

A Well, yes, I would say it was at least 50 percent destroyed as a result of the mudslides.

Q In any event, the destruction qualified you for a Small Business Administration homeowner disaster loan, which was granted to you, based on uninsured loss, at the figure of $50,000.

A That is correct. None of the loss was insured. I had insurance, but it didn't seem to cover the specifics.

Q That loan is for 30 years at an interest rate of 3 percent?

A That is correct.

Q I believe your monthly payment on that loan is now approximately $234 a month?

A I believe that is correct, yes.

Q Let me ask you then a hypothetical question.

If that assistance were made available to you on the same terms with the exception that the interest rate would be at 14 percent, resulting in a monthly payment of $634 as opposed to the $234 you now pay, what would the effect be on your ability to recover as a homeowner as a result of the disaster you experienced?

A Well, it would be very difficult for me to assume that particular thing, and I am not sure that I would have been that interested in the loan, to tell you the truth, at 14 percent. I would have gone about the repairs in a different way, and not put it back to its original state, because I really I wouldn't be interested in a loan at that interest rate.

The loan that I did receive was an incredible assistance to me, and it enabled me to put my house back in the condition it was in before the disaster without imposing a burden I couldn't handle, so I can only say that I am very grateful to the Small Business Administration, and for those responsible for granting me this. It was an immeasurable help to me.

Q Did many of your neighbors experience similar damage?

A Yes, several did, but none to the extent of mine. I might point out that this was not just the result of the rain and mudslide.

If you will recall, about eight or nine months before this rain, we had what they call the Laurel Canyon fire, and since I live in a draw in a heavy hillside area, the ground cover was burned off right down to within maybe 20 feet of my house, and so when the rains came, it came cascading down a completely bare mountainside, which is what caused the slides to come down, so that is why I was particularly vulnerable in this area.

Q I take it that you do endorse the continuation of a government lending program to assist victims in a disaster such as you experienced?

A I can only base it on my own experience, and I will say, it has been an immeasurable help to me, and if the government can see fit to help people in this way, it is certainly a better way to help them than other ways that the government has of helping people. Yes, I certainly would endorse it.

MR. GRANT: Thank you, Mr. Thomas, again on behalf of the committee for coming this afternoon.

(Whereupon, at 2:25 p.m. the deposition of Jerome Thomas was concluded.)

- - -

CKNOWLEDGEMENT OF WITNESS

I, Jerome B. Thomas, acknowledge that I have read the foregoing deposition and that it is true and correct.

Jerome Thomas

#64

Dennis
dmt
2:30

DEPOSITION OF VICTOR RAPPOPORT

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

VICTOR RAPPOPORT

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Rappoport, on behalf of the House Small Business Committee, I would like to thank you for coming this afternoon and say that we appreciate your statement as to your experience in the recent disaster and your sharing with us opinions on certain of the proposals now pending before Congress.

I want you to understand nothing you say here today will in any way affect the loan you have from the Small Business Administration.

The committee simply seeks your opinions.

Would you state your name and the address of the residence suffering destruction?

A Name, Victor Rappoport. I live at 5872 Jed Smith Road in Hidden Hills, California, 91302.

Q Would you describe the damage as a result of the mudslide you suffered on February 17, I believe, 1980?

A Yes. I live in a rural community on three acres of land. I have a hill in back of my house that goes up about 250 feet. It is approximately 500 feet wide and a substantial portion of the thing came down, taking along with it trees, retaining walls, electrical conduits, plumbing, sprinkler systems, rear lawn, among other things.

Q You experienced an extensive amount of uninsured damage?

A Oh, there was no insurance at all on this damage. I immediately called my insurance adjuster because I was there when it happened. My wife left just -- I don't know where she went. He said there's no coverage. So I didn't know what to do.

I called my loan company a few days later. They -- I asked them if they could waive the payment of the loan for -- at least postpone it for five or six months.

They thought about it. They refused to do that. They suggested I contact the SBA. Initially I thought, oh, gee, the SBA; that is getting -- the stories you hear about the SBA are from good to bad.

I had never dealt with the government before.

I contacted someone in this office and they sent the necessary documents, reams of paper, which I filled out. They sent some people out to check the property over.

About five or six weeks later I received a check -- I think the first check was $5,000. It went very, very smoothly. I dealt with two people in particular. One was an attorney here. I can't remember his name. Another man was one of the estimators who came out. They were very helpful, very accommodating.

In my case it went just -- I couldn't have done it without the SBA. I would have been in a predicament.

Q That certainly establishes your endorsement of the program. It is not necessary you give details.

A Absolutely. Absolutely.

Q In any event, the $50,000 loan you received from SBA as a result of the disaster was for a period of 30 years at an interest rate of three percent, I believe?

A That is correct.

Q This results in a monthly payment, I believe, of approximately $213?

A That is correct.

Q Mr. Rappoport, one of the proposals before Congress would be to raise the interest rate on SBA disaster loans to homeowners from 3 percent to 14 percent.

In a situation such as yours, this would result in a loan payment of $623 a month rather than $213 a month.

Of course, this is a hypothetical, but if that should happen, if that had been the case on your disaster loan, what would a payment almost triple your monthly have done to your ability to re-establish yourself as a homeowner at your present address?

A It would have been more difficult, of course. As I said before, I really had no choice in the matter. If the interest rate were to have been 14 percent, I still would have done what I did. I would have made the payments. It wouldn't have strapped me to the extent it may strap someone else, but it would have been a problem, of course. That is over $400 a month in additional payments. Even though it is deductible from income, it still is a question of putting it out every month.

Q Let me ask you another hypothetical. You indicated a minute ago that your lending institution did not want to participate with you to any greater extent on your loan. What if no loan had been available from the Small Business Administration at any rate of interest?

A It would have been necessary for me to go to probably an institutional lender or someone who would loan me money as a second trust deed which, of course, would have meant probably 20-plus percent.

It was necessary to have this fixed because the hill was hanging there. I couldn't afford to walk away from the property. I wouldn't have. Now it is fixed; it is all repaired.

I would have had to have found the funds from some other source. They are available, but they are very expensive.

Q Did you have a business damaged at all in a disaster situation either at the time your house was or at any time shortly before?

A No, sir, I didn't.

Q This is the only loan you have outstanding from the Small Business Administration?

A That is correct.

MR. GRANT Mr. Rappoport, I would like again, on behalf of the committee, to thank you so much for giving this statement.

THE WITNESS: Thank you.

(Whereupon, at 2:40 p.m., the deposition of VICTOR RAPPOPORT was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, VICTOR RAPPOPORT, acknowledge that I have read the foregoing deposition and that it is true and correct.

VICTOR RAPPOPORT

#65

Dennis/gay
2:45p

DEPOSITION OF MIKE LOVINGOOD

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

MIKE LOVINGOOD

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Lovingood, on behalf of the House Small Business Committee I would like to say we certainly appreciate your coming by this afternoon to give us your statement on the disaster assistance you have received and your opinion on certain proposals pending before Congress that might change that disaster assistance in the future.

I know that you understand any statement that you make here this afternoon will in no way affect the outstanding loans you have from the Small Business Administration. We merely seek your opinion.

A Yes, sir.

Q Would you state for the record, please, sir, your name and the address of the business which suffered the disaster?

A I am Michael Ernest Lovingood. My address at business which is known as Calgrove Kennels, is 23414 The Old Road, Newhall, California, zip code is 91321.

(Discussion off the record)

Q Would you describe the disaster situation and its effect on your business?

A Yes, sir. I have two 20-inch culverts in the back of my property that are sitting underneath the freeway. The water from the drains came, came through my property, moved all the mud and everything right across my property. While the mud was moving, it undermined all of my roads and sidewalks. It undermined my slabs. It ripped down some of my retaining walls. It completely destroyed my road, knocked out two bridges, ripped out all of my water lines, all of my power lines, filled up my septic tanks, where the sepctic tanks overflowed, which the health department came out and said I couldn't repair the water lines because the sewage had backed up into the water lines and that I would have to repair and replace all of the water lines.

Water went through my kennel building and took all of my food that I had stored, dogfood that I had stored; most of my paperwork, and things like that. As far as what it did to me and my business, it completely put a halt.

Right now I have no way of getting into my property. I have no access road except a footbridge. Because I have no access into the property and because it is still all mud, people come and see it and don't want to walk down. It has caused me more problem by losing the business just by when people come, they see the inconvenience and they don't want to bear with it.

What is causing me the most probem right now is the restrictions that the local governments are putting on me. They know that it is an economic disaster -- they know that it is a disaster, a federal disaster. I feel that they are making it worse for me to get back in shape than they are helping me. They are hindering me more than they are helping me.

Right now I still have no entranceway. It has been way over a year. I still have no access into my property. I can't get half of the projects even finished that the SBA gave me the money for.

For each day that I wait, I have already given them an estimate on certain things. It has gone up. Now it is costing me twice as much to get back where it would have cost me half that had they helped me in the beginning and not caused me all of these problems.

Q Mr. Lovingood, as a result of the physical damage you sustained and assistance you received from the SBA in refinancing some of the existing debt, there was a disaster loan granted to you in the amount of $151,500 for a period of 30 years at interest rates of 5 percent, and 8-1/4 percent for the refinancing?

A Yes, sir.

Q In addition, because of the business downturns you experienced due to the disaster and your dispute with the local authorities, you also received an economic injury disaster loan from SBA in the amount of $20,000?

A Yes, sir.

Q Now, the total outstanding debt to SBA is $171,000?

A Yes.

Q What additional steps have you taken in regard to producing some cash flow to repay this debt pending your dispute with the local authorities.

A I have taken on another job, working 40 hours a week for a company named ~~Phone~~ Flim Sonics. That is driving test cars. I drive test cars. That is an eight-hour shift. I work from 3 to 12 at night. Then I have taken on what is called -- as an addition, in my business, it is called in-home training. That is where I go out to the home and I help people so that they don't have to come out and take off of work. I go into their home and I do dog training and behavioral training within the home.

Q Do you now have a number of employees?

A I had to fire everybody I had.

Q Prior to the disaster, how many employees did you have?

A I had two.

If I may, I would like to say that some of the people that have worked for me have come back, and I owe them money now. They are not working for me on a full-time basis. They are basically helping me out because they know what I have gone through.

A lot of the people that did work for me before come in periodically and help me now. That is the only reason that I can keep the business going and have another 40-hour job.

Q Mr. Lovingood, I would like to ask you a hypothetical question based on your experience.

If the law were to be changed and a disaster victim in circumstances such as you experienced were to bear an interest rate on his debt of 14 percent, what in your situation would the result have been?

A I would not have been able to continue. I would have had to turn everything over right then.

Q You also, having an economic injury disaster loan, have noted the benefits available in that program to get businessmen such as yourself through a disaster when he has suffered a business downturn and needs working capital?

A Yes, sir.

Q There is also a proposal to limit the amount of economic injury disaster assistance available. Do you think that this should be a program which is fully responsive to the needs of a businessman and limited not by an arbitrary number, but by the need of the individual and his ability to repay?

A I believe that everybody is an individual and every individual circumstance has its own outlook. You cannot quote one figure because it is not fair to the individual. I am still to this day finding things that I haven't even covered on my loans. So, no, I don't think that it would be fair to stipulate you can only get so much. I think it should be based on what the person has, what his intent is with the money, and what his ability to pay it back is.

Q I would like to ask you another hypothetical question based on your experience. What would your reaction be to a proposal which would limit disaster assistance to small business concerns experiencing what you did to only 60 percent of the uninsured loss rather than having it available for a hundred percent of the uninsured loss?

A I feel that the American people would be being ripped off if they see all the aid that is given to the other countries and the people who have maybe put in time for their country -- such as I have -- and feel very limited on the ability that the government would only help them to a certain point, but yet there is no limitation on what they would do for another country.

Q Mr. Lovingood, you do then endorse the program administered for economic injury disaster assistance and physical disaster assistance to small businesses experiencing what you did recently?

A Yes, I do.

Q Your difficulties in large measure stem from disputes with local authorities rather than with the program as administered by the Small Business Administration?

A Yes. It is all of the local entities that have caused the problems.

Q Do you foresee additional economic injury disaster assistance from SBA as being necessary to --

A Yes, sir. I just submitted a letter today.

Q Is there anything else, Mr. Lovingood, that you would state for the record in regard to your experiences or your opinions on any pending changes in legislation?

A Yes, sir. I feel that there have been a lot of --

the biggest problem I have suffered within the business is that the people you owe the most money to are not actually aware of what the problem is.

In other words, if I have a loan for a truck payment and I don't have any income because I just lost everything in the floods, I think there should be some way that either the Federal government or the local government or somebody gives us a stay of execution, so to speak; a little help from the government to explain to these people that I am not trying -- I have lost all of my credit now. I have no more credit ability within my community except for the people who do know me.

I feel that it has been something that is going to take me more than this money and more than many years to pay back. That is my good credit ability. I feel I have lost that in all of this. I feel that nobody around you locally understands what the situation was because they themselves have not gone through it.

If you owe a bill and you cannot pay that bill because of a federal disaster, there should be some help received -- I have come here myself and tried to get help legally. There is a lot of people right now that want to take me to court. A lot of people I can't pay. Even if I did, I couldn't possibly ask for all the money I owe, or I would be in deep trouble.

So I feel there should be some help there. I feel that what the Federal government wants to assist us in, the local government hinders us in. That is really the way I feel.

Q Hopefully increased cooperation will result.

Thank you very much, Mr. Lovingood.

(Whereupon, at 3:15 p.m., the deposition of MIKE LOVINGOOD was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, MIKE LOVINGOOD, acknowledge that I have read the foregoing deposition and that it is true and correct.

MIKE LOVINGOOD

*66

Carol/gay
3:25p

DEPOSITION OF ALLEN I. EPSTEIN

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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ALLEN I. EPSTEIN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q On behalf of the House Small Business Committee I would like to thank you for giving us your views on the disaster assistance. You have received assistance from the SBA, and based on your experience, we would like your opinions on proposals to change that assistance, proposals which are now pending before Congress.

I would ask you please, sir, to state for the record your business address and your position with the company.

A That is the Three Dolphin Inn Restaurant, which is the Three Dolphin Inn, Inc., 156 South T-O-P-A-N-G-A Canyon Boulevard in Topanga, California.

My name is Allen Epstein, E-P-S-T-E-I-N. I am president of the corporation and the manager of the restaurant.

Q How many employees, Mr. Epstein, do you have?

A Let's see. At the present time we have ten, and we use, we fill in with, from time to time, maybe two or three others as outside labor.

Q You have experienced flooding in your area of California?

I believe in 1978 there was a flood which caused physical damage to your business and, as a result of that flood, you received a disaster loan from the Small Business Administration?

A That is correct.

Q And as a result of the 1979 flooding, you received from the Small Business Administration in 1980 an economic injury disaster loan of approximately $49,000?

A That is correct.

Q Would you briefly describe the 1979 flood and the business downturn effects it had upon you?

A My restaurant is located in a canyon, which is reached from the Pacific Coast side and the valley side, during the 1979 flood, the road to the Pacific Coast, or the Pacific Coast Highway was completely closed for four and a quarter months, shutting off approximately 40 to 50 percent of my business, also the road to the valley side during the height of the storm and after that was closed for about ten days, leaving the road to the valley passable, but barely, and the public was really canyon shy to go into the canyon after the flood, so my business was probably cut by 75 percent. That is why it was necessary to get an economic recovery loan, because I would have to go out of business.

The storm was so bad I was the only restaurant left in operative condition in our community, and I opened for breakfast and lunch because every other place was closed down, so it was community service.

I opened for breakfast and lunch because normally I am only opened for dinner hours. I have maintained that until recently. I was draining my resources because it wasn't lucrative.

What can I tell you about the storm? It was not a flood in the sense of, you know, the land being saturated. We have a creek which runs into Topanga, which became a river, and took away bridges and roads and homes and left the community devastated.

At best, where I am located it is a little rough to, let's say, be a very lucrative restaurant. You have to build a reputation.

I had opened the restaurant in 1976 and was slowly building a tremendous reputation. The 1978 flood set that back and the 1979 flood set that back, too, because people just wouldn't want to come into the canyon. But we are well back on the road and our reputation is building.

You do have a 7(a) direct loan from the SBA?

A Yes.

Q Is that also to Three Dolphin Inn, Inc.?

A Yes. The extent of the economic loss was incredible, and there is really--it was really difficult to try to catch up.

My suppliers were kind enough to carry me for quite a few months, and a good deal of that economic relief loan went to paying back the suppliers.

The straight loan was to buy some equipment and update the restaurant, and that was -- we had no idea that the storm was going to come and totally ruin everything.

Q As a businessman who has experienced both physical damage and an economic downturn as a result of a flood, I would like to ask you some questions, hypothetical questions, based on some proposed changes pending before Congress.

There is a proposal that would send the interest rate on disaster assistance to businesses suffering from flood damage from 5 percent to 14 percent, and in addition, limit the assistance available not to as much as 100 percent of uninsured loss, but limit it to only 60 percent of uninsured loss.

What is your reaction to a proposal like that for a victim of, for instance, flooding, as far as getting re-established in business, getting the cash flow going and recouping at a reasonable rate of speed?

A Of course, it all depends on the loss and you can't put that in, your loss is bigger than the other guy's.

I am paying 8 percent on one loan which I think is fine. I don't know, to get up to 14 percent might be a little drastic. I think maybe ten percent would be a fair average.

You need all the assistance you can possibly get at a time like that and the percentage, I really am not a banker and I can't tell you. If the rate of interest goes up to 18, 21 percent, then 14 percent looks good, but if it is 17 percent now, then 14 percent doesn't look that good.

As far as, I think as much help should be given. I know the government is having trouble with people paying back -- I just read about that in the paper -- and they have to go to outside credit collection agencies. If it wasn't for my loan, I would not be in business and my employees wouldn't be employed.

I have been able to maintain steady employment for a lot of people that live in the community.

For the most part, I hire only people in my community for two reasons. One, the access in case something happens, they are there, and the second is, I never know when I need that extra help to come running in and I like it because it makes it a community effort so, if it wasn't for loans, I would not be in business and my people would not be employed.

Q Let me ask you about a proposed change to disaster assistance rates, rates being raised. There is consideration being given to economic injury disaster assistance such as that you received from, for instance, the eight and a quarter you now pay up to 14 percent.

In your situation this would result in a monthly payment going from $480 to $638. What would your reaction be to that proposal?

A It would drastically hurt because it would affect the cash flow.

In my particular case, my business is seasonal. I could probably afford it better in the spring and summer than I could in the winter. The eight and a quarter is fine. To boost my payments up another $200, it would be hard, particularly in these economic times when things are so rough.

I am having trouble meeting my payments now because of the recession and the economic conditions and the price of gasoline.

Q In addition, I would like to ask you in regard to non-physical disaster loans such as you received, what would your reaction be to a proposal that would place an artificial limit on the amount of money available to a businessman; in other words, you would not be eligible for a loan to the extent you had suffered a loss or business downturn, but might be subject to a loan based on artificial limit, let's say, $100,000.

Do you believe it would be better if someone were eligible based on his loss than an arbitrarily established limit?

A That is a tough question. You always want more than, and it might be better because you gain working capital.

That was a big problem to project working capital. My economic loss is only $50,000, but I could use $75,000 to carry me through the bad time, after I got the loan. You don't really make it up right away, so is that what you mean?

Q Quite frankly I was thinking of an arbitrary limit as it might have an adverse effect given the situation you required $200,000 or $150,000 and this was an arbitrary ceiling at half of that?

A I don't think it would be good.

Q I see.

A Because then you are limiting, each businessman knows his particular needs and you are saying, everybody is going to be under the same cover and I don't think that is fair.

Q Well, Mr. Epstein, based on your experience with SBA's disaster lending programs for physical damage and business downturns as a result of a disaster, do you endorse a continuance of those programs as beneficial to the small business community?

A Most definitely.

Q I would like to thank you very much for coming.

A My pleasure.

If it wasn't for this, I would be totally out of business.

MR. GRANT: Thank you.

(Whereupon, at 3:36 p.m., the deposition of ALLEN I. EPSTEIN was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, ALLEN I. EPSTEIN, acknowledge that I have read the foregoing deposition and that it is true and correct.

Allen I. Epstein

ALLEN I. EPSTEIN

#67

Dennis/gay
3:40p

DEPOSITION OF LARRY FOSS

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

LARRY FOSS

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A Larry D. Foss. My address is 11835 La Cima Drive, Wittier.

Q What is your business?

A Electroplating.

Q You had some financial difficulties in complying with pollution laws in your business?

A Yes, we did.

Q Would you describe those for us briefly, sir?

A The type of equipment that we would need to put in would go beyond what our bank would lend us. The things that the government were expecting us to put in would have no economi benefit or productive capacity, and this was not something that the bank would lend on. We had no further capacity to lend beyond what we had borrowed.

The only way was to get a compliance type loan.

Q What were the requirements that you were having to meet?

A The requirements were to by 1983 meet the EPA published standards of heavy metals that we were putting into our sewer. We needed to clean up our system in such a way to meet those standards.

Q So, it was a water pollution control law?

A It was a water pollution control law.

Q What was the amount of financing you received from SBA?

A $85,000.

Q I believe you stated you already were borrowed to the limit with the bank?

A Yes.

Q Especially in regard to --

A We were borrowed for loans that -- we couldn't borrow on something that wouldn't have productive capacity. They would have lent us money for something that would have an economic benefit.

Q What would have happened if the SBA financing had not been available?

A We could not have put in the system.

Q So, conceivably, then, unless you receive some type of a waiver or an extension from complying with the pollution standards and there being no other financing available, you would have had to shut down?

A Right.

Q How many employees did you have at the time that would have been impacted by the shutdown?

A At the time I had approximately 50 employees.

Q How many do you have today?

A Right now I have 35.

Q Is there a particular reason for the decline in employment?

A Economic conditions over the past year.

Q How long ago was it that you obtained your SBA loan?

A I believe it was in 1978.

Q Are you current on your payments on that?

A Yes, I am.

Q So the economic conditions, although they are off, it has not deteriorated such that you can't meet your payments or anything?

A Correct.

Q What do you think about the SBA program in general on these compliance loans? Is it a good program?

A The program, as I used it, I felt, was the best way for a business of my size and economic status to use. It was rather cumbersome to obtain it. However, it was something that could be done, and I was able to borrow what I needed and not more than I needed.

I had gotten approval through the California Pollution Financing Authority, which was guaranteed by the SBA, but I would have had to have borrowed twice as much to make it economic for the loan to go through.

I was not ready at that time to get some of the equipment that I would have had to lay out the money for.

I didn't think that they were proven in the market.

Q One of the reasons we are out here today is that there is a proposal from the Administration to eliminate this type of financing. I assume that type of proposal would not meet with favor with you in view of your comments about the benefits of the program?

A I would think it would be foolish, for my industry in particular. I have recommended to other people in my industry that they seek this type of financing.

Q . I guess we can say you are really testifying with two hats on. One is as a taxpayer and the other one is somebody whohas benefitted from this program?

A That is correct. We now meet 1983 standards on a day-to-day basis. We did not put out a lot of money to do it.

Q I am not an expert on pollution standards at all. Are there others that you or others in the industry will have to comply with other than the 1983 standards?

A That is hard to say, given what government will do.

We are hoping that these will be the final standards. We are concerned about the solid waste issue which the equipment that our industry has been asked to put in creates some solid wastes. Now there is a problem with getting rid of solid wastes.

So, if that is the case, then we may have to go to a new generation of equipment which would recycle our wastes and not have the wastes put in a landfill.

Q There again, we are talking about an investment that those in the industry would have to make that would be non-productive? There would be no return on it?

A It would be an environmental return and everybody would benefit from it.

Q Under the terms of your program, you are paying, I believe, 6-5/8ths percent interest on the loan. Is that correct?

A Right. Correct.

Q One possibility, I suppose, would be that even if this type of program were eliminated, that you might qualify for a general SBA business loan assistance with a guarantee. If that type of assistance were available in today's climate, today's economic climate, it probably would be in the range of 19, 20, 21 percent.

A I am paying 20-1/2 right now. I have a bank participation loan.

Q But that you used for, shall we say, productive assets that will return something to the company in the way of profits?

A Right.

Q Do you think it is feasible for yourself or someone similarly situated to pay that type of an interest rate on a nonproductive asset? In other words, doyou have sufficient cash flow that would service a debt at that rate?

A At this time I would think that the type of loan that would -- that a bank would go for would be of a sufficiently short term that it would be impossible for me to do it. The cash flow needs would be too great for it.

They generally don't like to lend more than 5 to 6 years JDJ ~~percent~~.

Q What is the maturity on this particular pollution loan?

A It was a 20-year loan. I believe we are two-and-a-third years into it.

Q Would you have any recommendations for improving the program?

A Maybe making it a little easier for the individual to package it himself. I am a trained accountant. I was able to do it myself, but it did take me almost a year to put it together. If it could be simplified, I think more people would avail themselves of it.

Q In your case, did you have to get any type of a certification from either state EPA or federal EPA that the loan would bring you into compliance with the law?

A We had to get a certification from the County of Los Angeles sanitation district that we would need to do this, to meet the standards. They approved our plans for what we did. They said that if we did not do this, we would not be in compliance and they would have to put us under enforcement.

Q Is there anything else you would like to add to your statement, Mr. Foss?

A That is plenty.

MR. POWERS. We appreciate very much your having taken the time to come down this afternoon. There are a number of proposals under consideration, not just on this loan program, but many others. I am sure you have read in the paper about a number of budgetary cutbacks and the ways these can be achieved. It is only through taking statements such as yours this afternoon that we are going to acquire some information from those that have benefitted in the past from these programs that will permit Congress to really assess the proposals that are being put before it.

I realize this afternoon was just as nonproductive as far as your profits are concerned as having to meet these requirements, so we do appreciate your coming down.

THE WITNESS: I was happy to do it.

MR. POWERS: Thank you very much.

(Whereupon, at 3:55 p.m. the deposition of Larry Foss was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Larry Foss, acknowledge that I have read the foregoing deposition and that it is true and correct.

Larry Foss

#68

Dennis
dmt
3:55

DEPOSITION OF MR. AND MRS. VAN LEUVEN

Thursday, April 23, 1981

BURBANK, CALIFORNIA

- - -

CHARLOTTE E. VAN LEUVEN
JAMES VAN LEUVEN

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record?

A (Mr. Van Leuven) James W. Van Leuven, 2204 High Mesa, Duarte, California, 91010.

Q Mr. Van Leuven, you are one of the unfortunate ones that was caught up in a fire in November of last year, I believe?

A Yes.

Q Would you describe what happened, please?

A It is a little hazy in my memory. It was approximately 3:30 in the morning when Beth wakened me and said there is a fire. The alarms blew outside and they were asking to evacuate. I rushed first for the car to make sure we had transportation out of there if we needed it. I got that out. Then I went back and got the ladder and hose and got up on the roof and started watering.

I realized that it was getting ahead of me and about that time the firemen came along and said, "You will have to leave."

I said, "No, I am not leaving unless you have a warrant to get me off my property."

He said, "Oh, yes, you are."

So he proceeded bodily to take me off. At that time I realized it was ridiculous to stay any longer, so we got in the car and drove away.

We had an old pair of pants, a pair of shoes, a shirt, the car, one of the cats, the dog, and ourselves, and the silverware. That is all we saved.

Q The fire subsequently swept through and burned everything to the ground?

A Everything to the ground.

A (Mrs. Van Leuven) By the time we hit the street, the house was on fire.

Q Did you have any insurance to cover part of the loss?

A (Mr. Van Leuven) Yes, we had insurance through Rowan and Wilson Insurance of San Francisco.

Q How much was the insurance coverage that was involved?

A The whole thing -- the house was insured for $76,000.

The garage for $7,600. The contents for $38,000, and living expenses, $11,000.

Q So aside from your living expenses, you had a little over $120,000 in insurance?

A Roughly, yes. Don't hold me to the penny there?

Q That is fine.

A That is within a few dollars.

Q Your property loss that you sustained was in excess of this amount?

A Was in excess of $100,000.

Q You subsequently then applied for and received an SBA loan of $40,400, is that correct?

A That is correct.

Q That you are repaying with 3 percent interest over 30 years?

A That is correct.

Q I guess your monthly payment then would be about $170 a month?

A That is what the papers say, yes. We have not started paying on that as yet.

Q Are you employed at the present time, Mr. Van Leuven?

A Yes, and no. I am a retired engineer from the City of Pasadena. I am operating a small business, manufacturing germicidal soap. That is as the Aquatain Company.

I am President of that company. It is incorporated.

A (Mrs. Van Leuven) But the income is very small.

A (Mr. Van Leuven) And the work very hard and the development very discouraging.

A (Mrs. Van Leuven) I too am retired.

Q One of the primary reasons we are out here talking to those that have benefited from SBA disaster loan programs is that -- as I am sure you are aware from the paper -- there are a number of budgetary cutbacks that are on the board. Some of those that have been proposed involve this program.

We are trying to acquire some opinions from those that have benefited from using this program in the past as to some of the proposed changes.

People like yourselves actually have a dual role. One, as taxpayers, as all of us, being concerned about the tax expenditures, but, secondly, having benefited directly from the program, you know what it is all about.

A (Mr. Van Leuven) Yes.

Q One of the thing I want to stress though is, we are not talking about changing your loan at all. You already have it. The terms are already set. It is locked in at three percent interest. So, as far as you are concerned, unless there would be another disaster, it would not affect you at all. Don't go home and worry that we are going to change the interest rate or something like that because we are not going to.

A We have what we have now. The construction that is done so far is covered by insurance, fire insurance on the --

Q Okay. One of the primary proposals would be to increase the interest rate on all disaster loans. In the case of homeowners, instead of paying a three percent like you are, the rate would be increased to 14 percent. In reducing it down to a specific illustration in your case, had the rate been 14 rather than 3, your monthly payment would have jumped up to $466 per month.

A Gee, what an increase.

Q That is instead of 172. You are looking at almost $300 a month more.

A Difference?

Q Yes.

A (Mrs. Van Leuven) I think we would have had to give up our home.

Q That is the first question. Is that feasible for someone in your position that is retired basically?

A (Mr. Van Leuven) I don't think we could have swung it without the SBA loan.

Q At the lower interest rate?

A At the lower interest rate, yes.

Q Would it have been feasible for you to have sought financing from, say, a bank or any other source?

A Oh, I am sure that I could have gone to a bank and gotten the money, yes, but again we couldn't have paid the high interest rate that the bank would require now and still have built the house that we are building now.

Q Wearing your hat as a taxpayer, do you think this is a good program that ought to be continued?

A Oh, yes, I do from many standpoints.

Q Mrs. Van Leuven, do you have any disagreement with that?

A (Mrs. Van Leuven) I think that it has been one of the -- we were saying downstairs, we were speaking to the lawyer, that it is one of the most efficiently run operations. Our neighbors that suffered along with us felt the same way. They feel it has been very efficient and literally saved our home and our way of living and all.

I don't know what we would have done without the help we have had.

Q Would you make any recommendations or suggestions as to how the program could be improved, that it might be of more assistance?

A (Mr. Van Leuven) Well, I think it depends upon a lot of things. I think to be perfectly honest and perfectly frank, three percent is a little bit low.

I think the average person probably could go up as high as five or six percent and still be able to swing it.

In other words, we go back 15 years to where houses were within reason, six percent was a reasonable loan, an acceptable loan, a loan that had been in existence over a period of 25 years or 50 years.

I know my father was paying six percent on our home when he died.

I am not saying that -- you know, there are people who need the three percent. In the overall picture, it may be more realistic to have a little more money in interest. That might be to us as taxpayers a little more realistic than three percent.

Maybe I am hurting you by saying that, but that is the way I feel.

Q Well, hopefully -- I am not from here. I don't have the disasters that California does. It is really not trying to lead you one way or the other as to what is available.

A (Mrs. Van Leuven) Even had it been the six percent, it would have been difficult for us. I don't think we would have done it, tried to rebuild.

Q Do you think it makes any difference whether or not the individual has an existing mortgage that they are also making payments on?

For example, in your case, I wouldhope that you had your home paid for.

A (Mr. Van Leuven) No, we did not. We were making payments too. Imperial Savings at six percent.

Q Did the insurance cover the balance due on the mortgage?

A Both that mortgage and what I owed the Credit Union were paid off, yes.

Q Is there anything that either of you would like to add to your statement?

A (Mrs. Van Leuven) I would like to say that everyone we have contacted here has been very, very cooperative and very friendly at a time when we were not feeling very happy and very well.

A (Mr. Van Leuven) There is one thing -- I don't know whether you want to put this on the tape or not. I am talking against another government agency though.

For example, had we said okay, we will take the insurance money, we will sell the lot, and go some place and rent, even had I taken my hundred thousand dollars capital gains tax credit and taken all the money and put it in the bank, I still would have only owed the Internal Revenue $19,000.

Now, that doesn't seem fair to me. It seems to me that even SBA can step in to Internal Revenue and say, "Hey, wait a minute, you are doing an injustice, you are adding insult to injury."

Q In other words, if I am following you right, had you not rebuilt, you would have incurred a $19,000 taxable gain on the -- I think --

A Plus the hundred thousand dollars -- I would have lost my hundred thousand dollar exemption, so -- that part is not fair.

Q So you were really forced into rebuilding to avoid having that tax?

A There was no other way. There is no other way.

Q I assume this must have been in part because you owned the home for a good period of time and had appreciation in it?

A Well, I went to my tax man first and then I went to the Internal Revenue myself, to the head of Internal Revenue. He said, yes, that is correct.

So -- in other words, --

A (Mrs. Van Leuven) The house had increased in value.

A (Mr. Van Leuven) I had $50,000 that I actually put into the house. Then the insurance money, plus what I could have gotten for the lot, would have brought me up to around $200,000.

Well, let's take $100,000. That leaves $50,000. Take half of $50,000 and put it into 20 percent bracket, that comes up to $19,000.

Do you understand what I am saying?

Q Yes, sir. Yes, sir.

A Maybe this is not relevant to what you want to hear.

Q It is certainly part of the picture of what would have happened to you without the SBA loan?

A Yes. The SBA loan, without that, I would have lost considerably.

Q Do you mind my asking for the record when and how much you paid for your home? If you do, it isn't really necessary.

A We paid $31,400 for the house and then during the period of 15 years that we lived in it we put another $20,000 in improvements in, so, say $50,000, some place in that neighborhood, 51, 52 thousand dollars, if you are looking at actual dollars and cents. That is what I had in it. That is what the Internal Revenue would have said I owned in it.

A (Mrs. Van Leuven) But the day before the fire it would have sold for $200,000.

A (Mr. Van Leuven) Very easily because of the appreciation.

Q That is what I was wanting to clarify, that this was not a new acquisition on your part?

A No. No. By no means.

Q (Mrs. Van Leuven) That was one of the things that made it the hardest. We had been there so long. We had all our family things there. We just felt like it was our home. It was gone so fast. We just needed some help. That was true.

A (Mr. Van Leuven) I think one of the things that impressed me too, I had a very nice library. That all went. We went down to the people who had helped decorate our house. They said that if they had to replace -- they couldn't replace the furnishings we had because they don't build that kind of furniture any more, but if we had taken what is now the first grade and was then the second grade, we would have had, oh, well over a hundred thousand dollars for replacement.

That is kind of hard to lose. There is no way of putting a value.

For example, I had six books signed by Carl Sandburg that were worth $1800. The Library of Congress would have given me that. You can't collect that insurance. There is no way you can get it back. It is gone.

Q There again I assume it is a matter of items that you had accumulated over -- a number of years ago?

A Not me. Four items came across in covered wagons in 1898. Across the plains.

A (Mrs. Van Leuven) I had some that went back to the Revolutionary period from my family in the way of dishes that were destroyed.

Q I see.

A (Mr. Van Leuven) How do you put values on those? You don't.

We are not crying, we are trying to tell you the facts.

A (Mrs. Van Leuven) We finally have gotten to the point where we realize we are lucky to be alive and are thankful for the new home. It is hard to lose those things. Family Bibles, family records. All the pictures of the family. He has no pictures of his family.

Q You saw a lifetime's accumulation wiped out?

A In a matter of hours.

A (Mr. Van Leuven) I do some writing. I had a manuscript three-quarters done on the history of Pasadena. We didn't take time to pick that up. We are glad -- we are very much in love with each other. We are glad we are alive. We have suffered no burns and nothing that we can't get over.

Q I am too. I am glad you are here to tell us about your story today.

A I hope I told you what you wanted to know, that I helped you.

Q You described what happened. We can't hope to accumulate any more information than that.

A All right.

Q On behalf of the committee. I want to thank you both very much for taking time to come down here.

A Let us say thank you for you. I worked for the government too, city goverment, for 25 years. I know what abuse sometimes government employees take, sometimes from people who don't know what they are talking about or have any good reason for saying or doing what they do. But they are your boss, the City Council, the new elected Mayor or somebody can walk in and say do it this way whether it is right or wrong.

I appreciate the opportunity to talk to you.

A (Mrs. Van Leuven) We both do.

MR. POWERS: Thank you very much.

(Whereupon, at 4:15 p.m., the deposition of CHARLOTTE E. VAN LEUVEN and JAMES VAN LEUVEN was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, CHARLOTTE E. VAN LEUVEN and JAMES VAN LEUVEN, acknowledge that we have read the foregoing deposition and that it is true and correct.

Charlotte E. Van Leuven
CHARLOTTE E. VAN LEUVEN

James Van Leuven
JAMES VAN LEUVEN

#69

Carol/gay
4:20p

DEPOSITION OF KENNETH BROWN

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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KENNETH BROWN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address, please?

A Business address or residence?

Q Either one.

A Kenneth Brown, 13639 Bora Drive, Santa Fe Springs, 90670, California.

Q Mr. Brown, what is the name of your business?

A Brown-Pacific Wire, Inc.

Q And basically, what is that business?

A We are a manufacturer of raw material and stainless steel, aluminium and high temperature alloys in the form of wire and bar.

Q Your company, Mr. Brown, has three SBA loans, is that correct?

A We have more than three, but three direct SBA loans.

Q All right. Would you take them one at a time, please, and run through for us what the loan was for and how you got it, et cetera?

A We have an air pollution loan which is to take care of the air that we have that comes off of our chemical milling process where we generate a nitrous oxide, and we have built and designed and built this fume scrubbing piece of equipment to alleviate the problem of the nitrous oxide we generate.

Q How much was the amount of that loan?

A That loan -- and there was an addition to it, I think -- came to $120-125,000.

Q When did you obtain it?

A In 1979, I believe it was. It may be off. Approximately that time.

Q Do you recall the interest rate on that?

A I believe it is 6-5/8ths on that one.

Q All right. What is the second direct loan you have?

A The second direct loan is a water pollution loan, and this is to make it possible for us to pickle, which is a term used for the cleaning of alloys and materials in the steel-making process, and to dispose of the waters that are generated in that cleaning process down the drain, so to speak, and in order to make that water acceptable for the disposal system, we had to have a water treatment plant, and that money was used to meet the EPA regulations.

Q Do you recall the amount of that loan?

A That loan was--I think that loan was $90,000. I am not sure of that. I should have pulled those out and brought them with me, but that is pretty approximate.

Q When did you acquire it?

A That loan was acquired in 1979, also.

Q At the same interest rate?

A I believe it is the same interest rate, yes.

Q All right. Direct loan number three?

A Direct loan number three is a current one. It is also a water pollution loan, and it is used for the same thing that number two loan was used for, except to meet the new requirements of the EPA, which we are going to be required to meet October of 1982, and we are now designing and starting to construct that additional facility to meet those requirements. That is an $85,000 loan.

Q And that you have taken out in 1981?

A Yes, 1981, was funded this year.

Q Your interest rate on that is?

A ~~12~~ 9¼% [illegible] ~~12-1/2~~ percent.

Q Go off the record for a minute.

(Discussion off the record)

MR. POWERS: Mr. Brown, the loans that you have obtained on the water and air pollution, did you attempt to secure private or bank financing for any of these requirements before applying for the SBA loan?

A Yes, I did. I was turned down.

Q All right. So, the net effect then of obtaining these loans was to prevent the closure of your company. Would that be accurate?

A That would be very accurate because we couldn't operate unless we were able to dispose of our wastes.

Q How many employees would have to be affected if you had been forced to close for lack of financing?

A Directly in our own company we have had some 65 people that would have been affected because since we are a vita supplier of raw materials to fastener manufacturers, we probably would have affected their operations as well, and it is hard to say the ramifications of that. We are a very vital link to the fastener corporations in Southern California.

Q On the declines that you had from private sources on making these compliances with state and federal laws for air and water pollution, were you turned down simply because the bank did not like to make loans for nonproductive assets, or was it ability to repay?

It would have been probably a higher interest rate, or do you know why the company declined assistance?

A Pretty basically both of those. They do not like to make loans to companies that have marginal assets anyway, for nonproductive applications, and they just were really not interested in that, and that was primarily the turndown.

I am sure that if we had unlimited resources, as some of the large corporations have, that we could have persuaded the banks to loan us money, but we didn't have that kind of support. We probably could have borrowed against inventory, but this was not for that application.

Q One of the primary reasons that we are asking SBA borrowers to come and give us statements about their utilization of the program is that the Small Business Administration is being considered as part of the budgetary cutbacks, as are other agencies, and we are attempting to evaluate just what the impact of someof the proposals to modify federal expenditures, just what those impacts would be on the small businesses that would be assisted and the employees that they have.

You have obviously already obtained these loans from SBA. Your terms are already locked in. So even if we wanted to, there is no way we could change the terms of your loan. So the changes we are considering would be prospective only.

The first one that would involve the type of financing that you have obtained on either the air pollution or the water pollution control loans is simply a proposal to abolish the programs, and they would not provide this type of loan assistance to anyone that had to comply with federal or state law.

Now, am I safe in assuming that if this program had not been available to you, that your answer would still be that you would have simply had to have gone out of business?

A We would have to assume that because I have no other course to assume at this point other than to have taken that direction.

Q All right. Now, would you have been able topay, do you think, a higher interest rate if some other type of assistance had been made available to you through the Federal Government, for example, very hypothetical, but what about a bank guaranteed loan, have somebody sweet-talk the bank into making it to you, or say you had to meet these requirements today in today's interest rate of probably 19 or 20 percent?

Is it feasible for a company that has to make expenditures of this level for nonproductive purposes in order to comply with pollution loans to pay an interest rate in the range of 20 percent?

A I would say it wouldbe prohibitive, almost an impossibility. It is hard enough, even with the low interest rates, to have a small business take the kind of capital that we turn out in just monthly payments directly to the SBA and set them aside for this nonproductive application.

I have a feeling if that sort of thing happens, small business is well on its way to vanishing in this country, particularly in this kind of a technical field that we are in.

It is just almost impossible anymore to get into these kinds of manufacturing operations on the small business level. As far as I know, we are probably an exception as it is. To increase the interest rates, just no question, people will put their money somewhere else.

Q Then you would endorse the program not only as a participant in it, but as a taxpayer who is contributing towards the program itself?

A I think it is a very productive thing. In this country, if we are going to keep small business a part of our economy, I think a part of our taxes should go to support this kind of thing. It is obviously an important part of our future and of our present economy as to encourage and promote small business.

Q Is there anything you would like to add to your statement about the program or suggestions for improvements in it?

A Well, I certainly think that there probably would be an opportunity for the small business to expand a little bit in this, and maybe make it possible to share some of the technical information that has developed.

A large portion of the capital expended upon this program of ours was in just the research and development of the system because we got no technical assistance from anybody on how to design this particular pollution control equipment, other than from the EPA or from the local enforcement agencies.

I think if I could comment at all would be that somewhere technically, the resources of this country should be brought to bear on these problems to help the small business, and you might alleviate some of the expenses that are put out in direct loans if there was some previous technical information provided.

I think that was our biggest, biggest problem. Maybe the government would want to consider building and leasing some of these pieces of equipment to small businesses instead of having to re-invent the wheel, so to speak, every time you need something of this sort. It could be a good thought.

I think in the collection of water pollution, the Federal Government should consider, ~~and~~ at local levels, some general collection type of industrial waste or sewers that would collect effluent from a variety of not only large businesses, but small businesses as well.

I think it could be a very practical application.

We don't get a lot of consideration, it seems like, in any direction for these problems, only enforcement. I think that is about all I would have to say on the subject.

Q All right. Well, we certainly appreciate your coming down here this afternoon and taking time for a nonproductive purpose, really, as far as your business is concerned. It is through information like this that the committee will be able to evaluate these proposals by knowing the comments of those that have participated in the program.

Thank you.

(Whereupon, at 4:35 p.m. the deposition of Kenneth Brown was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Kenneth Brown, acknowledge that I have read the foregoing deposition and that it is true and correct.

Kenneth Brown

#70

Brad
dmt
4:37

DEPOSITION OF MR. AND MRS. KEN GORSETH

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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LYNNE GORSETH
KEN GORSETH

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A (Mrs. Gorseth) Lynne P. Gorseth. 5969 Amos Avenue in Lakewood, 90712.

Q And you suffered a disaster loss to your home last year?

A November 17th.

Q Of 1980?

A Of '80.

Q Would you describe what happened for us, please?

A Let him talk.

A (Mr. Gorseth) You talk.

A (Mrs. Gorseth) You talk.

A (Mr. Gorseth) Well, we woke up, what time was it, 2:30? 2:30 in the morning, and our house was on fire, and we just, some guy just happened to come by and woke us up and we ran out of the house and the next thing I know, just watching the fire, and then about, oh, ten minutes later or fifteen, the Fire Department got there and the house next to us started burning, and they concentrated on that house first, because our house was, you know, too far gone then and they wanted to catch it, I guess, before it got burned too bad, and just, well then the next day we heard about, you know, the L.A. County being a disaster area, and I told her, maybe we can qualify for one of the disaster loans, so I came up here and got the papers and everything and filled them out, and the next thing I know, we qualified for a loan.

Q All right, did you have, well, your home was a total loss, is that correct?

A Yes.

Q Did you have any insurance on the home?

A Yes.

Q How much was that?

A $61,000 on the house and $30,000 personal possessions.

Q On the contents. So you had roughly $90,000 in insurance, and losses over and above that for which you sought an SBA loan?

A Right.

Q All right. On your SBA loan, it was approved for $55,000, is that correct?

A Yes.

Q Did you receive the entire payment?

A No, no.

Q You are in the process of rebuilding now or drawing down on that?

A Right. Right. Right.

Q Under the terms of the loan you received, you are to repay it in 30 years at 3 percent interest, which would make a monthly payment of about $235 once you have received your entire loan?

A Right, right.

Q One of the reasons we are out here is to evaluate the proposals to modify the disaster loan program, and among those is an increase in the interst rate on those loans. It would not affect you because you have already received your approved amount.

But, on others who have not yet been approved for diasters or for disasters that have not yet occurred, the interest rate could go as high as 14 percent instead of the 3 percent. Now, in your case, had that type of an interest rate been in effect at the time of your loan, you would have paid $635 per month instead of the contemplated $235.

Now, obviously no one would like a payment like that. It would be silly for anybody to like to pay 14 percent rather than 3 so I am not going to ask you if you would have liked to pay that but what do you think the impact of that type of payment would have been on you?

A (Mrs. Gorseth) It would have been better on the alternative.

A (Mr. Gorseth) We would have had to still get the loan because we couldn't rebuild with the money we got from the insurance company.

Q Do you have any idea how you would have had to alter your other expenses in order to make payments like that?

A Probably have to sell our cars, and gotten rid of our payments, you know, because we would have been strapped right to the bone with both the payments, our first and the low interest loan.

Q Well, you sit before us kind of wearing two hats. One is as a taxpayer and another is as a beneficiary of the program that we are reviewing. What do you think of the program? Keep in mind that you are taxpayers and beneficiaries of the program.

A I think it is great. I think in a lot of cases, I don't know about all of them, in a lot of cases it is the only way a person could rebuild. We were adding onto the house at the time of the fire, and we could probably rebuild the old house with our insurance money, with the money that we got out of that, but we had to use our personal property money for that, too, or we wouldn't have had any furniture.

Q In your particular case I assume you had an existing mortgage on the home before it burned?

A Yes.

Q Did the insurance cover the old mortgage?

A Yes, plus what? $3,000?

A (Mrs. Gorseth) It didn't cover the entire mortgage because we had a second that was not on the insurance.

Q You still owed some other indebtedness on the house?

A (Mr. Gorseth) Oh, yes. We owe her mother $32,000.

A (Mrs. Gorseth) She lost.

Q Do you have any suggestions for improvements on the program?

A (Mr. Gorseth) Well, we are really not into it that deep. We just had our first draw yesterday, and the only drawback that I can see is you really got to keep on top of, you know, the way you are scheduling your work.

See, I am contracting myself so you know you can get the money when you have my subs that are doing the work, so you can pay them so you don't have to stall them off so they will put a lien or something like that against your house.

Q Basically you are satisifed, though, from the experience you have had to date, with the program?

A Oh, yes. I think it is great.

A (Mrs. Gorseth) Also you said as taxpayers,a lot of people get money from the government that don't pay it back, period, and we are paying it back.

At least we are paying something, where some people don't pay anything back.

A (Mr. Gorseth) We are getting 3 percent. It is a lifesaver. It really is.

MR. POWERS: If neither of you have anything further to add, I want to thank you for coming down this afternoon. I appreciate your taking your time. The information we receive from talking with people like you is very helpful.

A (Mr. Gorseth) It is great, super.

A (Mrs. Gorseth) A disaster loan if your house burns down should qualify in a lot of cases because it is a disaster, even if it is not a disaster area.

A (Mr. Gorseth) We were lucky that ours fell at the right time. If it would have been a week before that, I don't know if we would have qualified for it or not. It just happened to fall at the time when they had, I guess, the Duarte fire, when Carter declared L.A. County and San Bernardino a disaster area.

Q Your house fire wasn't part of the disaster. It was in the time frame?

A (Mr. Gorseth) Right.

A (Mrs. Gorseth) They said the wind made it go faster.

It wouldn't have gone all the way down without that wind.

MR. POWERS: Thank you very much for coming down.

(Whereupon, at 4:50 p.m.,the deposition of LYNNE GORSETH and KEN GORSETH was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, LYNNE GORSETH and KEN GORSETH, acknowledge that we have read the foregoing deposition and that it is true and correct.

LYNNE GORSETH

KEN GORSETH

#71

Carol/gay
4:50

DEPOSITION OF EDWARD L. JOHNSON

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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EDWARD L. JOHNSON

~~was~~ called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A Edward L. Johnson. The address --

Q Your home address?

A As of now or the fire?

Q Where are you now?

A 10072 Roscoe Boulevard in Sun Valley.

Q Give me a spelling on that, please.

A For Roscoe, R-O-S-C-O-E.

Q Mr. Johnson, you had a disaster hit your home recently, is that correct?

A Last November.

Q As part of the fire out there?

A Yes.

Q Would you describe what happened?

A Well, it was approximately 2:30 a.m. November 16, and it was described as a fire storm swept over the hill from the direction of Sunland, and first saw a red glow in the sky and a neighbor called and reported this.

I went outside and saw red cinders landing, so I laid out all my hoses and got up on the garage roof and started watering that down, and well, as the fire inspector said the next day, the winds were blowing 90 miles an hour going this way and that way, but I stayed on the garage roof and the fire approached the garage and burned all the way around the other side of the house and a sudden gust just blew up towards the main roof.

It is a two-story house. I got the first fire out, and then the second, and then when I went back to the first area, why, it started up again, and then it was just downhill after that.

Q Your home was a total loss?

A Total loss, lost everything inside the house except for a few items that were in the garage. We did save the garage, except we are having to replace, oh, four or five rafters, but outside that, why, the walls, the roof has to be replaced.

Q Did you have some insurance on the property?

A I had $73,000, plus $10,000 on personal.

Q And in addition to that, you found it necessary to seek assistance from SBA in order to rebuild?

A Yes.

Q Subsequently, then, you obtained a loan for $47,300? Is that correct?

A Yes, that is correct.

Q Have you received the entire amount of the loan or are you still drawing?

A No, no, $5,000 only.

Q So, you are in reconstruction now drawing on your loan as you need it?

A Right.

Q And the terms on the loan you have received would be 3 percent interest repayable over 25 years, is that correct?

A Yes.

Q Your monthly payments, you probably have not started yet, have you?

A No. In fact, I just last week had my first check-writing meeting with the contractor. It is fully framed. The siding is on the front, rough plumbing, the initial wiring. In other words, you can still see through the house, but we are at that stage right now as of today.

Q One of the reasons that we are out here talking to SBA borrowers and seeking their input is to evaluate some proposed changes in SBA's disaster program, but this will not in any way affect you because your loan has already been approved.

So far as you are concerned, these are hypotheticals, unless you need to seek assistance again.

One of the primary proposals that we are considering is an increase in the interest rate so the homeowners would pay 14 percent interest rates rather than 3 percent, and specifically in your case it would make the payment approximately $555 per month instead of $227, if that rate were in effect on your loan.

A Yes.

Q Obviously no one wants to pay more money, but could you give us an indication of just what the impact of such a rate would have on you? Would it be prohibitive or could you manage it by changing other expenditures or what would be the situation if your payment were to go from $227 to $555?

A Well, I think my first reaction was to rebuild and sell. That would be my first reaction.

In my case I was able to continue and, of course, I am continuing to pay my regular mortgage payment to the individual that holds the first trust.

When he first heard of the SBA loans, he panicked, and he said, they will demand the first trustee -- well, I sent him the form showing him that that was not the case, but I still continue to make that mortgage payment.

We are renting a house, in our case, for $750 a month that is close by the house that we lost. We are getting state assistance, but still, well, I will put it this way. Our payment is $325 a month at 8-3/4 percent interest. We have been in the house three-and-a-half years, and, well, I guess I have to repeat myself. It would be a matter of rebuilding the house the house the best way we could, and possibly sell it.

Q Do I understand you correctly, you still have an existing mortgage that would not have been entirely satisfied by your insurance proceeds, so you have double payments to make, is that right, one to SBA and one to the first mortgage holder?

A Yes.

f.325 E.J

Q That payment was 3-1/4, was that correct?

A Yes.

Q In the event you had been required to pay 14 percent on the new money, your total payment would have been almost $900 a month on the home?

A Yes.

Q Which you feel would be infeasible?

A I would have no desire to stay there.

Q Mr. Johnson, in addition to being a borrower from SBA, you are a taxpayer. What do you think, as a taxpayer, of this program? Is it a good use of tax funds to provide 3 percent money to homeowners who have suffered a disaster like this?

A I think so. You do the best and yet people really, well, when I make mention of this, for example, they say, well, it is almost like getting money for nothing.

My reaction is, okay, I appreciate a loan like that, the assistance that it gives to rebuild. It has to be paid back and even at 3 percent or 2 percent, I am not going to borrow one more dollar than I have to because it has to be paid back, but going from 3 percent to 14 percent, I can't quite understand why, if they have to go from 3 up, why they couldn't hit some middle ground there between 3 and 14 rather than going from one extreme to the other as far as interest rates are concerned.

Q You would prefer to have it stay at 3?

A Well, I would. In fact, for other people, I do not-- well, I hope to borrow as little as I can. I got a loan approved at 47,500 $~~57,500~~. That is great. That is a good feeling to have, to know that that is available, but at the same time, I feel sorry for people that, say, have suffered a much greater loss and can only go to $55,000. $55,000 to me seems like it was probably great or it made sense 15 years ago, but not today.

Q So you feel the maximum amount should be increased?

A I think so.

Q Do you have any specific figure in mind?

A Well, I would say at least $75,000, because it still comes back to having to prove that you need that money. In our case we have got 73 plus ten insurance, and, well, I guess I am trying to say that -- I lost my train of thought now.

Q Well, I think you pretty well stated your feelings on it.

A I just had one other thought, as far as -- I have been thinking about this since the gentleman called regarding the interview here, and it is not a complaint or a criticism, but the loss verifier went out to our house without giving me a call, and I thought we could have saved a little time and a little confusion by myself being there.

In other words, in our case he could not get into the garage, which I was fortunate enough to be able to lock and board up, so you could not verify one way or the other the damage, whch is minor, really, compared to the total loss of the house, the personal belongings.

It was just a thought that I thought I would pass along. That should be a must with a loss verifier, that he meet with the homeowner.

Q That sounds like a reasonable idea.

A Pictures, of course, were provided, and that obviously tells the story. A person being not at the scene to verify different details.

Q All right. Well, Mr. Johnson, we certainly appreciate your taking your time to come down here this afternoon and talk to us about your experience. It will be very helpful to us as we evaluate proposals to change the program or continue in its present form.

On behalf of the committee, we really appreciate it.

(Whereupon, at 5:02 p.m. the deposition of Edward L. Johnson was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Edward L. Johnson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Edward L Johnson

Edward L. Johnson

#72

Dennis
dmt
5:05

DEPOSITIONS OF MR. AND MRS. ROBERT HENDERSON

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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ROBERT ALLEN HENDERSON
LORRAINE HENDERSON

were called as witnesses and, being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Mr. Henderson, would you state your name and address?

A Robert Allen Henderson, 5140 North Lyman in Covina. ZIP is 91724.

Q Mr. Henderson, I understand that you suffered some rain damage to your business?

A Sure did.

Q Would you describe basically what happened for us, please?

A Yes. It goes back to about a year ago November when the building I was renting -- there was a problem with the roof. It needed a new roof on the building.

I contacted the lady that owned the building. I said, "Look, we need a new roof. We have a few problems with it."

She told me -- being as I am a B-1 general contractor, she said, "Give me a price on it."

I gave her a price at cost, right at cost because I wanted to get it done. She told me my price was too high. She said, "I will get somebody else to do it."

I don't know what day it was in November I talked to her. She had roofer after roofer after roofer come out from November, December, January up into February.

On February 13, the rains started. Goodbye everything. Everything was gone. The roof started cutting loose. Just started leaking. The plaster started falling.

I went home the one night, came back the next morning. It was nothing but a mess. I had a heater on the wall. The wall-hung heater heated the building. Water was running down through the heater, killed the electricity; the phones were dead. The displays were ruined. My calculators, typewriters, everything was totally ruined.

I called her up and I asked her, I said, "Look, we have a major problem." It was still raining at that time. It rained for almost three weeks straight. I called her and told her to get hold of her insurance company.

She said, "Okay, no problem. I will take care of it."

The following day the adjuster was there. He walked through with his camera taking pictures of everything, all the damage, this, that.

He said, "Don't worry about it. You are covered. No problem."

I said, "What do I do with all this junk in here?"

He said, "You might as well haul it to the dump."

I said, "Okay, fine."

So I cleaned up the building and hauled all the debris out of it. It was -- I was trying to get it cleaned up to get back in operation again. It started raining again. Couldn't use the telephones again. Everything was out.

Finally I got mad. Nothing was being done with the insurance company at all. I couldn't go in the building. I decided I have to get the hell out of here -- excuse my language.

So I went looking for another building. I couldn't find one. The only one I could find was in Glendora. I grabbed that building over there and reopened up again as fast as I could.

By the time I finally got my phones in Glendora and opened up again, it had been five weeks that had gone by. We couldn't do any estimating; couldn't do any drafting; couldn't do anything for this period of time.

When I got moved in over there, then I got a phone call from another adjuster and he came over there and said that he was handling the case. I told him -- I said, "No, you are not."

I said, "Bill Smuthers is handling the case." He said no, Bill Smuthers, the company he thought he was with did not carry the insurance, his company carried the insurance. He wanted to see all the damaged items.

I said, "Well, I don't have them."

He said, "Where are they?"

I said, "They went to the dump."

He said, "Well, you have no proof of your damage."

I said, "Bill Smuthers has the proof because he took pictures."

Well, it seems that Bill Smuthers was no longer with the company that was out there. When I called up he was an agent for Hartford. When I called up Hartford, they finally found my file. No pictures. The pictures were gone.

It seems like nobody can seem to get hold of Bill Smuthers. All this has been going on.

I finally just -- I applied to the SBA for a disaster loan. My business was going downhill. I was losing everything I worked two and a half years for to keep it going.

Then all of a sudden he offered me $5000.00 -- he started messing around with me a little bit about settling this thing. This went on and went on and went on. RAH

Meanwhile, after The Rain Damage I had to take~~n~~ the tax money I put aside to pay my taxes with to get the business rolling again.

We did good. The business did good in February, did good in March. Towards the end of March we started feeling the problem with the water damage. For five weeks we didn't do any estimating. We couldn't do anything. We have not been able to recuperate from it since. We have just been steadily downhill.

I have had to contact an attorney. I am suing the insurance company that is involved in this whole thing. The insurance man says I have a good case, no problems.

He says three to five years to get them to settle. But now, during this period of time the money that the SBA gave me, which was $32,000, it took so long from the time that they -- I originally applied for it until I got it that IRS walked in and took $20,000 out of the $32,000 that I had coming. $23,000 of it out of the 32,000.

Well, the balance of the money that was left over, I couldn't even pay off the people I had borrowed from to try to keep the business going. It would -- material bills. I owed a lot of money. I figured I could pay them off as soon as I got the loan.

Originally I asked for a hundred thousand dollar loan. They denied it. They said they would give me $32,000.

By the time the money finally came through, it did me absolutely no good whatsoever. All it did, it paid off a percentage -- a good percentage of the back taxes owed. That is all it did.

If I knew then what I know now, I would have just sold everything out and closed the business down at that time and sold everything and given IRS the money and paid it all off and said forget it.

Now, I am at a point right now that --

A (Mrs. Henderson) We are struggling.

A (Mr. Henderson) At the time of the water damage, I had a 12-man crew. Today there is myself only. This is how far it has gone down. I am doing everything in my power to salvage it. I now have IRS back on my case again.

I don't know what I am going to do. I know if I can survive three to five years when my lawsuit comes through, I will have no problems. It is just a matter of getting from this point to this point here. Since I have taken out the loan with the SBA, I can't even sell the stock and items I have because they are all tied up in the loan.

I can't sell them out to pay off the taxes, so now I am setting between a rock and a hard spot.

A (Mrs. Henderson) They are going to shut us down anyhow.

A (Mr. Henderson) IRS may take everything I have and sell it. SBA will come in. I am in the middle of a big nightmare. I applied here -- I talked to them at SBA about a couple of months ago about getting more money to keep this thing rolling. I was basically turned down. They said that the loan they gave me in the first place was -- they don't normally do, due to the fact that it was the biggest percentage of my losses was loss of business. They said they couldn't help me any more.

A (Mrs. Henderson) We are right back where we started.

A (Mr. Henderson) I am back where I started, but in worse shape now than I was before.

At least before if I could have sold out everything, the tools, the shop equipment, everything else, I could have paid off my taxes and been free and clear of it. Now I can't.

The loan actually that I got didn't help me.

Q You would have been better off if you had not received the SBA loan?

A That is right. I would have been better off if I had not received it for that amount of money. If they had given me a hundred thousand dollars at the time I asked for it, there would have been no problems whatsoever. Overall, since the time of the actual water damage that I suffered to date we have taken a bath for about a little over $200,000 loss. Loss of business, loss of merchandise, loss of everything else.

A (Mrs. Henderson) We just about doubled -- our second year we just about doubled the growth as to our first year. In our third year we went down. We are still going down.

A (Mr. Henderson) I started the business out on my own, by myself, no employees. It was just basically a business just to keep myself going until something better came along.

It started working out so well the first year we turned a tremendous profit. I figured well, this is so good I am going to keep it going.

The second year we doubled what we did the first year. The third year is when the water damage came in and we went right down the hole; right to rock bottom.

I know if I had the money, I could build my business back up better than it was before, but it takes money to do it. It is just that simple. I figure in time, when I do settle my lawsuit, the attorney says I have a real good case on it. There is no question. He says -- in fact, he was a corporate insurance attorney for 17 years. He quit them and went into private practice for ten years. He knows all the ins and outs of insurance companies. I was informed by the person who told me about him that he never takes any cases on contingency. You pay up front, he takes your case. In my case, when I talked to him, he took the whole thing on a contingency basis.

He knows he has got a good case on it. There's no -- as -- I literally was had by a lot of people.

A (Mrs. Henderson) It is a hard lesson to learn.

A (Mr. Henderson) After I moved out of the building in Pasadena, the insurance company who had the building itself --

not the liability, but the building itself, came in and redid the whole building, complete. They went through, put a new roof on it, straightened the building out, put a new building inside and out.

A (Mrs. Henderson) Now there's a pawnshop in there.

A (Mr. Henderson) I moved to Glendora. I rented a building. We were in there for ten months, nine months, somewhere in that area. All the displays were all set up. It got to the point where I couldn't afford the rent on the building. Things were getting this tight. With the recession starting, which hurt on top of the water damage, and the recession came in and slowed us down some, I couldn't afford the building any more. So I moved from there into an area behind my house. I have an area out there which is like a three-car garage. I moved in there, set up my displays in there and started running the business out of there. That is when the county assessor walked in and said, "You can't run a business here. This is not commercial. This is residential. You will have to move it out."

That is where we are setting right now.

Q Do you ever get the feeling somebody doesn't like you?

A I got that feeling but good. I told the man when I called him up on the phone. I told him I am not going to move. I cannot explain my circumstances to him. I am at rock bottom right now. I want to talk to the District Attorney. I said let me talk to him. If you let me stay in for a period of time -- I don't want to be in there. If I can just stay there to keep my business alive, that is all I am asking.

A (Mrs. Henderson) They are setting up an appointment with the District Attorney for us to see him.

A (Mr. Henderson) I will go down and talk to them. Maybe they will allow me to run my business out of there. If he doesn't, if they tell me no, you cannot run your business out of there, I don't know what I am going to do. I have no place to go.

I cannot go out and rent another building anywhere. I just flat cannot afford it.

A (Mrs. Henderson) We kept our payments on time.

A (Mr. Henderson) We have our SBA payments right on the money. We have had one hell of a year and so many months. It has been very bad. What did we do in the last year of business? Two hundred and twenty-three or $248,000 gross; to this year where we just barely did over $100,000.

A (Mrs. Henderson) Actually our taxes didn't have to be turned in on time because we took an awful loss.

A (Mr. Henderson) We had our taxes figured two weeks ago. We don't have to pay taxes this year. We lost -- according to the tax man -- we lost $27,000 last year. That does not include the loss of business we took.

A (Mrs. Henderson) We already had the IRS levy our account a month or so ago.

A (Mr. Henderson) They took my payroll money. I could not meet my payroll.

A (Mrs. Henderson) Very patient employees.

A (Mr. Henderson) I told them we had money coming in. They waited. I paid them off and had to lay them off. Now I am doing all the work myself.

A (Mrs. Henderson) They will get you every time

A (Mr. Henderson) That is where I am right now.

Q When did you start wearing the necklace?

A I bought that -- I bought that when I had a 12-man crew because it seemed like every time I walked on a job there was something wrong and that is the first word I would say.

A (Mrs. Henderson) 1979.

Q I thought maybe it was after your latest set of difficulties.

A (Mr. Henderson) I bought that at the Los Angeles County Fair in 1979. It was a joke.

My main thing right now is I am going to be honest with everybody. I am doing everything in my power to keep from filing bankruptcy. That is what I am doing. I don't want to go this route, but if something drastic doesn't change pretty soon, I am going to be -- I have no way to go.

A (Mrs. Henderson) But the taxes continue.

A (Mr. Henderson) One thing I will do, even if I am forced into bankruptcy, I am going to re-sign with SBA because I have to make a living somehow. This is what I know best.

A (Mrs. Henderson) Besides it is good credit.

A (Mr. Henderson) That is what I know best. I was in the business with my father since I was 12 years old. My father was in the business 45 years. He got hurt three years ago, lost the use of his right arm. Four-and-a-half years ago, I guess it was.

A (Mrs. Henderson) Yes.

Q (Mr. Henderson) This is what I know. I have driven a truck, interstate driving a truck, but I don't want this. I want to continue what I am doing. I love the work. I love doing the work.

A (Mrs. Henderson) He is good.

A (Mr. Henderson) I will say that. I am good. I am good at what I do. I have made a lot of people happy, doing remodeling, kitchens, bathrooms, things in this line. 95 percent of all my work ever done was done on referrals. At this point right now I have got about 5 -- between 5 and 7 jobs that I have got people begging me to do, but I don't know if I want to take them on. If I take them on and IRS hits me again and takes the money from those jobs, I am dead.

A (Mrs. Henderson) And they do that, too, whether you survive or not.

A (Mr. Henderson) They walk in and take the money. I would just as soon not take the jobs on as to take that chance. That is where I stand today.

A (Mrs. Henderson) So, you tell us what you are going to do. What is the purpose of this meeting?

A (Mr. Henderson) At the time of the water damage, I was running -- I had four trucks. I had four trucks totally stocked with tools. I had a two-man crew on each one of those trucks. I had other guys that used their own trucks and their own tools. Today I have one truck. That is it.

Q Well, to answer your question, Mr. Henderson, the basic thing we are doing is evaluating the program.

A (Mrs. Henderson) Okay.

A (Mr. Henderson) I think the program is fantastic. I think it is a good program, if the program would help people who really need the help. That is the way I feel about it. At the time when I came in, I needed help desperately. I asked, like I said, originally for $100,000. That would have kept my business going with no problem.

A (Mrs. Henderson) They said they don't loan that much.

A (Mr. Henderson) They said under the circumstances of the way my money was processed, such as -- I can't remember the word they used -- they said there was only 12 loans made that way out of how many hundreds of thousands of loans, that I was lucky to get $32,000.

Q The way it turned out, you weren't so lucky?

A No. It was very unlucky. Like I say, if I knew then what I know today, I wouldn't have accepted the money. I would

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have said come and take everything, sell it, leave me alone. I will build it back again.

Now I am setting for the next 20 years with a debt that somehow I am going to have to pay. If IRS walks in and takes all my tools and all my vehicles, my truck, what do I do then? Then I can't work for a living anymore. I can't go out and work for another contractor and make enough money to pay the debts I have to pay. It is an impossibility.

A (Mrs. Henderson) He is so damned honest it hurts. Seriously.

A (Mr. Henderson) This is what I based my business on. I have always been very honest with people.

A (Mrs. Henderson) He gets the insurance coverage he has to have, the liability, the workmen's comp. He is good to the men. They screw him every time. Maybe he is too good. We have been honest with IRS. Can't pay our taxes, but we are honest. This is where I am at. I resent it. From my point of view I resent it because I used to do all the bookwork.

Q Well, I am sorry about your experience.

A Me, too.

Q I really can't offer you any advice.

A Didn't expect you to.

Q Ordinarily I would have had a whole list of questions about if we had changed the program would it have helped you, but it didn't help you. Asking about changes in it that would have made it worse is wasting your time. I don't want to do that.

A Not unless you want to give us more money.

Q I am not in the money business either way. I will take some if you want to make a payment while you are here and see that it is properly credited.

I do thank you for coming down. I am sorry about the problem you have had with the program.

A (Mr. Henderson) I don't know exactly what is going to become of the whole thing. I don't know right now what is going to become of it. If I file bankruptcy, I don't know what will become of that. I know that right now I owe a lot of tax money, that somehow I am going to have to pay.

A (Mrs. Henderson) Oh, they will just bill us.

A (Mr. Henderson) Between the penalties and interest the way it builds up over a period of time, in five years, between the penalties and interest on that money I owe them, it will take all of my whole lawsuit. IRS will take all of that.

Q Again, I am sorry about your experience. I do appreciate you having taken the time to come down.

A I wanted to come down and give my viewpoint on the way I feel.

Q with the sense of humor you two continue to exhibit with all you have gone through, you have to make it.

A One way or the other, we will. I do say the program is a good program. I will say that. But from my point of view, I think there is not enough time dedicated to the small businessman compared to what it is to the large businessman. You take a larger business, they can walk into SBA if they have a problem. They can get $100,000, $500,000, whatever.

To a small businessman like myself, all I can get is $32,000, which didn't help me out. It didn't even take care of the losses I took at the time.

MR. POWERS: Okay. Well, again, thanks for coming.

(Whereupon, at 5:30 p.m. the depositions of Robert Allen and Lorraine Henderson were completed.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Robert Allen and Lorraine Henderson, acknowledge that we have read the foregoing deposition and that it is true and correct.

Robert A. Henderson
Robert Allen Henderson

Lorraine Henderson
Lorraine Henderson

#73

Brad.
dmt

DEPOSITION OF PIETRO VITALE

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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PIETRO VITALE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Vitale, thank you for coming today. On behalf of the House Small Business Committee, I would like to say we certainly appreciate your agreeing to make a statement and we trust that your experience will be helpful to us, and we would like your opinion on several proposals that are pending now before Congress.

I want to assure you that the statement you give here today will in no way affect your oustanding loan from the Small Business Administration. We are not here to bother the contract between you and the government. We are simply here to ask you for your views to assist us in deliberations.

Would you please, sir, state for the record your name and your business and your position with the company?

A My name is Pietro Vitale, V-i-t-a-l-e. I am President of the Oh Boy Corporation. The Oh Boy Corporation is in the manufacturing and sale of frozen foods.

We have been in business over 25 years, and we had several occasions to seek the help of the Small Business Administration for which we are very grateful.

The real first impact and knowledge that we had of SBA was during the 1971 earthquake that hit the San Fernando Valley in Los Angeles, California.

At that time I think it was February 8 in the morning of that day I drove to the plant, and it was a real disaster, because our plant is in the town of San Fernando.

The power was gone. The water was gone, the refrigeration was gone, and you can imagine in a frozen food business what that means.

In order to reconstruct and put back the company on its feet, we had to try to get immediate relief. We made an application to the Small Business Administration Disaster Office open at that time under the instruction of the Federal government.

Without going too much into detail, we feel that the $400,000 loan given to our company by the Small Business Administration was one of the reasons that today the company which employs about 200 or more people is today in existence.

Q Mr. Vitale, do you remember the interest rate on the loan you had in 1971?

A I don't recall exactly the initial rate, but I remember that during the couple of subsequent years, the interest rate went down to 3 percent.

Q The interest rate at the present time for a physical disaster loan for business is five percent for those disasters which were occurring here in your area over the past few years.

Let me ask you over the past few years and beginning back in 1971, in rebuilding your business, what would have been the situation you would have faced if the loan had been made availableto you at an interest rate of 14 percent, not a low interst rate?

Would that have caused you any difficulty in re-establishing your business?

A Yes.

Q That is a little hard to say because that is quite a bit higher than interst rates were at that day, so possibly we can relate that, shall we say, three times as high as the rate you received your loan, for comparison?

A Correct, that would have affected naturally the business, because in trying to compare the help that the Small Business gives after a disaster equated with the interst rate, I don't think is correct. Either you help or you do not help.

If you are going to give a loan a high interst, it would be a deterrent to the reconstruction of a company, so I am a firm believer that it is not actually the responsibility only of the Federal Government, but the community itself to rebuild its business, because more people are employed, if that is really what we are after.

Q Subsequent to your disaster loan from SBA, you had occasion to again receive some assistance from the Small Business Administration, a 7(b)(5) compliance loan for $425,000.

Could you explain the circumstances leading to that loan?

A The compliance loan that recently the company obtained was based on a situation when the local health inspector authorities, ~~they~~ required some major structural changes and changing equipment.

Today at the current rates, with the amount of money in interest that a company has to pay-- and we do not pay prime, but we pay prime plus a penalty maybe of 5, 6, 7, 8 points above prime -- we are completely destroyed, so the compliance loan, in my opinion, when an authority that has the jurisdiction in your operation comes and tells you, either you do this, or we close you, when you turn around paying 22, 23, 25 percent, then you are out of business, and then you have to go to the government.

It is the same case as a disaster, and I imagine they are in the same category in a way.

Q In very similar categories, yes. They are considered disasters. As surely as they would close your plant down, a storm would take it away.

A Correct.

Q This brings me to the second situation. In view of your experience with SBA's nonphysical disaster loan program

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having a 7(b)(5) compliance loan as a businessman and as an employer of a significant number of people in your community, what would you think of a proposal to simply end that program?

A I think that there would be more disaster than the potential disaster.

At this time I would like to declare that if the new administrator, Mr. Cardenas, right, in his declaration, when he was confirmed, declared that, "President Reagan has consistently pointed out that small business is the backbone of the American economy system."

I do definitely agree with what he declared. If that is true that they believe that the small business represents 47 to 50 percent of the country, and is the backbone of the country, they should not break the backbone of the country by eliminating some very essential help that the small business needs in an economy crunch the way it is. That is worse than a physical disaster we suffered with the earthquake.

(Off the record discussion)

Q Then to sum up, Mr. Vitale, as a business and civic leader, you recognize and endorse SBA assistance to those businesses which suffer from physical and economic injury disasters?

A Yes, very much so.

I feel that in fact I was expecting, due to the economic situation of the country, not a decrease or a cutting down completely of this assistance, they might increase it due to the inflation and other factors.

Q When economic times are bad, that is why you need economic assistance, really.

A Really, I want to close in saying that small business, in my opinion, needs more help in an economic crunch like this than anybody else because creating jobs keeps the people working and keeps the economy going. If they eliminate small business and concentrate only in a few big businesses, think of what the country will be.

Q Off the record.

(Off the record discussion)

Mr. Vitale, on behalf of the Small Business Committee, thank you, sir, very much for coming and sharing with us your views.

A I think it was my duty, and I was happy to testify on behalf of the Small Business Administration.

(Whereupon, at 5:53 p.m. the deposition of Pietro Vitale was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Pietro Vitale, acknowledge that I have read the foregoing deposition and that it is true and correct.

Pietro Vitale

74

Dennis/gay
6:35 p

DEPOSITION OF MacARTHUR MEDINA

Thursday, April 23, 1981

BURBANK, CALIFORNIA

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MacARTHUR MEDINA

was called as a witness and, after being first duly sworn, testified as follows:

BY MR. POWERS:

Q Mr. Medina, on behalf of the House Small Business Committee, I want to thank you for coming this evening to give us your views on the disaster assistance you received and your opinion on certain proposed changes which will be before Congress.

You do understand that nothing you say regarding your loan or any of these proposals will have any effect on that loan?

A Yes.

Q Would you state again, please, sir, your name for the record and the location of the home suffering the disaster?

A It is MacArthur Medina, 363 Spinks Canyon Road, Duarte, California, 91010.

Q And the disaster you encountered was a Duarte Canyon fire in November of 1980?

A Yes, November 16.

Q What destruction did you suffer to your residence as a result of that fire?

A It was total destruction, nothing saved.

Q As a result of certain uninsured damage, you applied for and did receive a loan from the Small Business Administration in the amount of $36,700, having a maturity of 20 years, and an interest rate of 3 percent?

A Yes.

Q This brings us to the first question, hypothetical question, I would like to ask you, Mr. Medina.

What would you have encountered if one of the proposed changes had been an effect that would have raised the interest rate on your loan to 14 percent?

In other words, your monthly payments would not have been $206, but $446 per month. Would that have presented a difficulty in re-establishing yourself as a homeowner?

A Yes, definitely. The $206 is really within our means, but $446 would probably mean more than $1,200 a month in payments. Now it is only $1,000.

That is quite a difference if the percentage of interest would go up that high.

Q Were there many of your neighbors in the community similarly affected by the fire?

A Yes. From what I was hearing, there were altogether -- in the area, including Bradbury -- there were 60 houses in our immediate neighborhood; there were about 30 or 40.

Q Those houses in your neighborhood were all substantially destroyed?

A Totally. When it started, it just burned.

Q Were they able to secure loans from the Small Business Administration?

A I am not sure. I haven't talked to them. I knew some were applying for one, but I am not sure whether they got it from them.

Q Mr.Medina, you do then favor continuing the Small Business Administration's disaster homeowner assistance to homeowners such as yourself who have experienced destruction of their homes?

A Yes. I would. It is probably the least or even the biggest thing that the government can do. Putting myself in the place of people that will encounter the same experience in the future, I would say it would definitely be very helpful for them to continue on this. See, what happens, when they have the high interest rate, they would have the same hardships as if -- when they go to, let's say, the private institutions.

For me to state they should discontinue, this would really be disastrous to people that already have experienced considerably this ~~program~~. KIND OF CALAMITY

Q Mr. Medina, again I would like to thank you for coming and giving us your view on the SBA disaster assistance programs.

(Whereupon, at 6:42 p.m., the deposition of MAC ARTHUR MEDINA was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, MAC ARTHUR MEDINA, acknowledge that I have read the foregoing deposition and that it is true and correct.

MacArthur Medina

MAC ARTHUR MEDINA

#75

Dennis
dmt
11:15

DEPOSITION OF ROBERT COBLE

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

ROBERT COBLE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A Robert B. Coble. Which current address do you want? The one we are rebuilding?

Q Where you reside now.

A 2266 Denair, Unit 111, Highland, California, 92346.

Q You had a home in San Bernardino that was caught in the fire that went through here?

A That is correct.

Q Would you tell us what happened, please?

A In how much detail?

Q Was it totally destroyed?

A Yes. The fire came. I stayed up on the roof and tried to save it until such time as I decided it wasn't worth it. Then I left.

When I returned, the house was completely destroyed. I mean completely. A little bit of the garage was standing. The rest of the house, there wasn't even a two by four withstanding above the concrete. It was completely gone.

Q Did you have any insurance on the property?

A Yes.

Q How much was that for, approximately?

A I get this confused. Around $87,000, I believe. You have got it in your records.

Q In addition to that, it was necessary for you to obtain an SBA loan in order to rebuild?

A That is correct.

Q You subsequently received a loan for $35,100, is that correct?

A I believe that is correct. I am not too good on remembering numbers.

Q Mr. Coble, one of the reasons that we have asked you to come down is to give us some information, an evaluation of the program that has assisted you, your opinion on some proposed changes. The changes would not, of course, affect you. You have already received your loan. One of the primary items under consideration is the interest rate. On your loan you are paying 3 percent interest over 25 years?

A That is correct.

Q The proposal would be to increase these rates to 14 percent, your monthly payment would have increased to $412 a month versus the $169 which is necessary in order to repay it at 3 percent.

A Yes.

Q What impact would that type of an interest rate have upon your ability to repay the loan?

A On my ability to repay the loan?

Q Yes.

A Oh, I certainly could have done it. I might have not taken 25 years though. I might have tried to play games and so if I could have paid it off sooner, that is highly speculative.

Q As a person who has benefited from the program, do you think it is a good program?

A I surely do. Quite a few people were hit much harder than I. I am certain that they must appreciate it much more than I do.

Q Do you feel as a taxpayer that a three percent interest rate is a good level or should it be increased?

A As a taxpayer, I feel it should be increased. I feel it is a little like stealing. If it is available and that is the going rate, that is what you pay. I feel that it is almost ridiculously out of proportion tc what current rates of money are. I am sure you do also.

Q Would you have any recommendations for changes in the program?

A I guess my recommendations are that I find it very difficult to understand what I am really supposed to do when I come around and ask for the next amount of money.

The information that is sent out seems to confuse me a little bit. You send $5,000 first thing. Then you say I am supposed to send in my insurance policy, the drawings, the -- I forget. Anyway, there is a list of things. Then it says I am transferred automatically from Pasadena to Denver; and they don't really tell me what form my additional request for money should come in.

I am going to do something, but I am going to wing it. I think that it -- if it would be a little more clear that perhaps I was -- it is not a serious complaint, don't get me wrong. I really haven't decided how I am going to handle it yet. That is not really a complaint.

Q We can't give you a specific answer on that, but if you like, I would be happy to have someone from the agency get in touch with you.

A I know who to call now. I called down and in particular -- the stuff that came out, it said that you should get some sort of an agent to handle the loan payments, to handle the waivers of lien and the like.

I called and I started with a girl. She transferred me to someone else down there, because I wanted to use Santa Fe. Now Pacific Federal is that agent. They volunteered to do it. They were doing it for me on that first $87,000. To me it was only logical that they continue it on.

They are knowledgeable on the house. They are doing the inspections and the like.

So, that is the individual I will probably call when I get it ready. Right now I am still -- what he told me was that he wanted a letter from Pacific Federal outlining what they were doing to support me, and if it was agreeable with you people, then he would see that we had that taken care of.

But it is just not real clear on what form this should be. Do I send in a pencil and paper and say, "Hey, Doc, I need $20,000"?

I know that is not -- I hope you see what I am saying.

Q I am following you, yes, sir.

You do have the name of an individual?

A I do have the name of an individual. I am going to work him. That is not a real complaint. It is just something that could grease the skids a little bit more.

2

Other than that, the fellow that was here -- I forget his name -- he was here for probably six weeks -- my relations with him have been very good. This fellow that I talked to is very good. I am very well pleased with the program, to tell you the truth.

Q Is there anything else that you would like to add?

A Probably not.

MR. POWERS: We appreciate very much your having taken the time to come down and talk to us about this.

THE WITNESS: I figured the least I could do was come in and talk to you because you guys have done quite a bit to help me. My wife is still taking it a little bit hard. She doesn't like all the things that have to be done, the colors, the fixtures, all this stuff that has to be picked out, but it would have been so much more hard on us if we had had to go to the conventional money market or whatever to get this thing all put together.

I am very appreciative of what the Small Business Administration has done. I wanted to come in.

MR. POWERS: Again, thank you very much for doing so.

(Whereupon, at 11:23 a.m. the deposition of Robert Coble was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Robert Coble, acknowledge that I have read the foregoing deposition and that it is true and correct.

Robert B Coble

ROBERT COBLE

76

Carol/gay
11:20 am

DEPOSITION OF MR. AND MRS. RICHARD PIERCE

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

RICHARD PIERCE

WILMA PIERCE

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A (Mr. Pierce) Richard Pierce, 1121 Devore Road, San Bernardino.

Q Mr. Pierce, you had a home here that was damaged or destroyed by fire?

A By mud

Q Mud? Would you briefly tell us what happened, please?

A The mud came down the street and got in our house, what, three times, from a period of about the middle of January to about the end of February.

A (Mrs. Pierce) Started the 9th of January and it finished the 26th, 28th, something like that, in February.

Q That was in 1980?

A Yes.

Q Did you have any insurance to cover part of the loss?

A We had, yes. We bought the federal flood insurance.

Q In addition to the flood insurance, you also needed some additional funds to do clean-up and reconstruction?

A (Mr. Pierce) Right. We bought another house. They wouldn't let us build there. They wouldn't let us do nothing with the house.

Q You obtained an SBA loan of $22,400, is that correct?

A Right.

Q One of the primary reasons we ask you to come down here today is to give us your views on the programs, whether it helped you, whether it could have helped you more if it had been changed.

Would you briefly tell us what you think about the program as one who has participated in it?

A Wonderful for us. Without that, I don't know what we would have done, probably like we did before. We moved to different little houses, and we left a lot of our stuff up in the house in Sonora, and finally when we got straightened out, it was beautiful.

Q One of the proposals under consideration in Congress would be to change the interest rate on these disaster loans, like the one you received. You have already received your loan. It has been approved at the 3 percent interest, and we are not in any way going to change that, but for future disasters, the proposal is to increase the interest rate to 14 percent instead of the 3 percent that is available on your loan.

A (Mrs. Pierce) People probably wouldn't use it as much then.

Q In your particular case, the payments obviously would increase considerably.

A Right.

Q Do you feel that you could afford an increase in the interest rate like that?

A People wouldn't pay it. People would go a different way, I am sure.

Q What do you think you would have had to do without the loan.

A We would have probably had to take a lesser house than what we had. We had a nice big home there. The one we live in is comparable to what we had.

A (Mr. Pierce) We had 7 percent there.

A (Mrs. Pierce) We only owed 19 on it, and we paid 28 for it, you know, and we are going to retire in 1985 and sell it, so what do you think we lost on our house? They give us $97,000, we thought it was worth at least $125,000, so we lost that much money right off the top, plus how much is it going to increase over the period of the next five years.

I felt like that sucker to be worth $250,000 whenever, in

1985.

I had five bedrooms, three baths, whole new kitchen, family room, dining room, another room. There was over 3,000 square feet in that house. I feel like I really took a beating on mine, you know, and if SBA hadn't come through with that 3 percent money, which is fair, because the city shouldn't have never left people build there in the first place.

Q Do you think the SBA program at low interest rate is a good use of taxpayer money?

A Sure it is. In a disaster like that, yes. People need help. Some people are stupid, and they don't buy the insurance. I put $100,000 on my house and $50,000 on my contents, and it cost me 85, 90, something like that. Whatever it was. But some of these people didn't even buy none, and --

A (Mr. Pierce) Breaks of the game.

Q Why do you think there is such a low usage out here of that program?

A (Mrs. Pierce, We didn't know anything about the low interest, you know. We didn't know that we could get disaster loans for the type of disaster that we had.

Q How did you find out about it?

A Well, we went to all those meetings and that is what they told us. Mayor Holcombe, he was really great.

Q He is going to be in this morning to talk to us, too.

A (Mr. Pierce) He went out of his way to help everybody he could.

A (Mrs. Pierce) He really did, and whoever doesn't appreciate it hasn't got any common knowledge because he was really great.

Q Okay, is there anything else you would like to add? Do you have any recommendations as to how the program might be improved?

A (Mr. Pierce) We don't know that much about it.

A (Mrs. Pierce) Anytime you are messing with that god-dang government, you got problems. When you go through city, county or state government, you got problems because them suckers is so slow. They have to go through every little detail, you know, before they get around to it, and boy, they are slower than Moses. They have so many things they have to go through. If they could speed it up a little bit.

A (Mr. Pierce) It would help.

A (Mrs. Pierce) Yes, it took them almost a year to do that.

A (Mr. Pierce) It wasn't all SBA, though. We got part of our loan way back in May. SBA wasn't slow. Of course, nobody knew what to do, either.

MR. POWERS: We appreciate your having taken the time to come over this morning.

MR. PIERCE. We appreciate the help. Anything we can do.

(Whereupon, at 11:30 a.m. the deposition of Mr. and Mrs. Pierce was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Richard Pierce, acknowledge that I have read the foregoing deposition and that it is true and correct.

Richard Pierce

ACKNOWLEDGEMENT OF WITNESS

I, Wilma Pierce, acknowledge that I have read the foregoing deposition and that it is true and correct.

Wilma Pierce

Wilma Pierce

#77

Dennis
dmt
11:35

DEPOSITION OF GARY L. SAXE

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

GARY L. SAXE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q State your name and address for the record.

A Gary L. Saxe, 5650 North D Street, San Bernardino.

Q Mr. Saxe, your home was destroyed by fire last year, was it?

A Yes, sir.

Q What was the extent of the destruction?

A Complete.

Q It was caught up in that same fire that affected everyone else in the area.

A Yes, the Panorama fire.

Q What do you think the value of your home was at the time it was destroyed?

A About $75,000.

Q Did you have partial insurance coverage on it?

A Yes, I did.

Q In addition to the insurance, you needed some additional financing?

A Yes.

Q In order to rebuild -- you are rebuilding the same home, is that correct?

A No.

Q On the same site, rather?

A Same site. I have taken my insurance funds, additional funds for contents and such and upgraded the home.

Q Your loan with SBA is for $44,700?

A Yes, sir.

Q That is repayable over 30 years at 3 percent interest?

A Yes, sir.

Q One of the proposals that is under consideration right now is changing the terms of the loan program. This, of course, would not affect your loan which has already been approved.

A Yes.

Q It has been proposed that the interest rate be increased to 14 percent instead of the 3 percent which is now made available. In your case this would have made a difference in your monthly payment obviously. It would have increased from the $190 a month that you are repaying up to $515 a month in order to repay at the longer term?

A Yes.

Q Do you think it would be feasible to provide a program with assistance like that?

A I think in certain levels, annual income and cost of inflation would prohibit the ability for many people who have gone through a disaster to support that type of debt service.

I would not be financially capable, even concerning my position, to sustain that payment along with the first trust deed payment that I have continued.

Q Basically you think then it is a good program at the three percent rate?

A I think it is a good program. However, we have to also consider cost of funds. It is good, but I don't think it is really reasonable.

Q What do you think a reasonable rate would be today?

A Today? The 14 is reasonable. If you are attempting to give assistance at a lower rate, I would say nine, maybe nine and a quarter.

Q What was your experience with the program? Did you have any problems?

A No. None. The people were very courteous, very cordial. I had a couple that were extremely helpful, that showed compassion, showed interest. I was quite astonished at that actually. I didn't expect that type of treatment, but that is what I got.

Q Would you have any recommendations for improvements in the program?

A Being in finance, I understand a lot of the constraints that the representatives have, and actually compared to, let's say, a normal real estate loan, the complexities are much less through SBA than they actually are on a straight out real estate loan.

No, I don't see any necessary changes from my experience.

Q Is there anything you would like to add to your statement?

A Only that I couldn't build my home if it weren't for SBA. I don't know what I would do.

Q Do you think you would have been able to swing a nine percent interest rate and still do what you did?

A It would have been much more difficult, but -- no, I probably would have to go lesser than what I did. I couldn't do what I am doing now.

MR. POWERS: Mr. Saxe, we appreciate your coming down this morning.

THE WITNESS: My pleasure.

MR. POWERS: Thank you for telling us about your experience on it. Hopefully after we have talked to a number of similarly situated individuals, we will have enough information for Congress to make a judgment on the program and proposals to change it.

THE WITNESS: I helped some of the other fire victims because of my banking experience. The only thing -- I would like to make an additional comment.

Right after the disaster, we were to go through a disaster center, and at that point we, or most of us, did not realize what a state of shock we were in. Therefore, we didn't really understand what we were doing until at least two, three months after the disaster.

There are certain areas such as keeping receipts for everything you do. Well, logic would tell you you need to do that, but at that point you are not thinking logically. I don't know how to circumvent the problem, but it is one area that is difficult for any disaster victim. They have to get over the shock first to be able to intelligently review the documentation necessary.

Q It is a problem, isn't it?

A Yes. Unfortunately, I made the same mistake. I paid cash for things. I didn't save receipts. The people at the Small Business Administration have stated that while they can't guarantee anything, they would certainly try to help me in that area.

MR. POWERS: Again, thank you very much for coming down.

(Whereupon, at 11:45 a.m., the deposition of GARY L. SAXE was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, GARY L. SAXE acknowledge that I have read the foregoing deposition and that it is true and correct.

GARY L. SAXE

#78

Carol/gay
12:05p

DEPOSITION OF MR. AND MRS. HAROLD HILL

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

HAROLD HILL

MARY HILL

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Does one of you want to act as a primary spokesperson?

A (Mrs. Hill) I don't know. I usually do the talking.

Q All right. Would you state your name and address for the record, please?

A Mary L. Hill, 1404 Padua, Redlands, 92373.

Q Did you have occasion to go down to SBA in connection with the fire that hit your home?

A Yes, we did.

Q Describe your reaction to the assistance that was provided to you.

A I thought it was good. After contacting the SBA office in Burbank, we seemed to get results.

Q You have received a $27,500 loan, or you have been approved for that amount?

A Yes.

Q Was there any insurance on the home, so this is damage over and above?

A In fact, insurance was about half. We had about half coverage what we had.

Q Under the terms of your loan, you are paying 3 percent interest over 30 years, which would amount to $160 a month in order to repay your loan. Although we are not going to change your interest rate, because it has already been approved, there is a proposal to increase the interest rate on these loans to 14 percent instead of the 3 percent.

A Yes.

Q This does not affect your loan personally. It is already set at 3 percent, but had this change been made, your payment would have gone just about double.

A Yes.

Q Now, would you have been able to double up on your payments if the program called for 14 percent?

A Probably not. See, my husband retires in two years, so I don't think we could have.

Q What do you think of the program as it is now? Is it a good program?

A Yes, it definitely is. Certainly for people like us, if we were young and just starting out, it might be a different story, but since we are at retirement age or close to it, I don't know what we would have done. We would just have not been able to rebuild.

Q As a taxpayer, do you think this is a good program?

A Oh, I think so.

Q Do you have any recommendations for changes that you would make in it?

A No, not at this point. I am just very thankful for it.

Q How much damage did your home sustain?

A Complete and total. We lost everything we had plus every tree, every bush, every blade of grass and our dog. We saved nothing, except our dog and a few clothes as we ran out the door.

Q Are you rebuilding on the same site?

A Right.

Q How long is it going to be before your home is ready?

A I hope not too long because it is expensive to try to live away from the house. We have never had more than $166 payments ever on that house. That was our house payment, including taxes and insurance.

Q Was there a mortgage on your home at the time of the fire?

A Yes, we had about $16,000 left to pay on it which Security Pacific did not request in writing that we pay off but FHA did not want to okay our lot, our slab. SBA did not want us to remove the slab without being penalized so we did pay them off with our insurance money, so we are still underinsured, even with the loan that we got.

I thought the loan that we were getting from SBA was 42.9. What does that say?

Q This is a summary sheet, and it says 27.5, but you may well be right.

A I talked to them. Well, our papers say 42.9. $10,000 was contents, and 32.9 was for the house itself because see, we lost everything.

We even had to get a new car, so it was necessary for us to get a contents loan too, even our contents money that we had was only $19,500 so that doesn't buy too much today.

Q I am sure there is some problem here because I see one space on the form that says it is $27,000 and another place it says it is $37,500, so you are probably right.

A It is 42.9. I have the paper in here for our loan that has been okayed. I think that is what they said.

Of course, even that is less, you see, and we are having to come out of our own savings because we paid Security Pacific off. We still have to come up with some of our own money. This is what they said to us, that we were okayed for.

Q $42,900 is correct?

A Yes, and in other words we are taking all the savings that we have to come up with the balance, because we paid Security Pacific off and if we hadn't paid Security Pacific off, it was an FHA loan, we would have had to remove the slab and borrow more from SBA. So we thought whatever way we went, it was the best way to go like we are going, but we are using our own savings to rebuild and landscape, and we are having a lot of subcontracting out done with people that is helping us actually lower than if we had to have the whole thing on a contractor.

In other words, we use someone else's house plans that had the same, well, that saved us about $200, and we are trying to save money everywhere we can, and I think we have probably one of the lowest houses up there when I have gone up there.

MR. POWERS: All right, well, we appreciate your coming down this morning and giving us your views on the program. It will be very helpful.

(Whereupon, at 12:12 p.m., the deposition of MARY AND HAROLD HILL was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

We, MARY HILL and HAROLD HILL, acknowledge that we have read the foregoing deposition and that it is true and correct.

Mary Hill
MARY HILL

Harold Hill
HAROLD HILL

#79

Dennis/gay
12:20 p

DEPOSITION OF MR. AND MRS. ALBERT FRANCIS

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

ALBERT FRANCIS

JENNIFER FRANCIS

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Francis, on behalf of the House Small Business Committee I would like to say it is certainly appreciated that you have come today to give us your views of the recent disaster you suffered, and in light of those experiences, your opinions as to certain proposals now pending before Congress.

You do understand that your statement will in no way affect the loan you have from the Small Business Administration?

A (Mrs. Francis) Yes.

A (Mr. Francis) I understand.

Q Could you state for the record, please, your name and the address of the home suffering the disaster?

A (Mr. Francis) Albert Francis, my wife, Jennifer, 483 North Park Boulevard, San Bernardino, California, 92407.

Q Would you describe the disaster that struck your home,

Mr. Francis?

A They called it the Panorama fire. There were 287 or 300 homes, somewhere in there, totally burned down to the ground.

Q 100 percent destruction, then?

A Yes,

Q As a result of this fire, you applied for a loan from the Small Business Administration and, as a result of uninsured loss, did receive a loan from SBA of approximately $53,500 for a term of 30 years at an interest rate of 3 percent?

A Correct.

Q This brings us to the first hypothetical regarding the interest rate on a SBA homeowner disaster loan. At the present time, your payments on that loan are $228 per month. One of the proposals now pending in Congress would place that interest rate at 14 percent. This would result in payments approximately triple, or $617 a month.

What effect would that have on your ability to re-establish yourself as a homeowner in your community?

A It would curtail the amount of furniture, clothing, things like that that we would be able to buy at the present time. When you lose your home completely, you lose not only the house, but everything else.

Q Personal effects?

A Down to the point where we had to buy a new toothbrush the next morning. The higher interest rate, I think, would -- people would -- they just wouldn't be able to replace everything that they lost.

How do you feel about it?

A (Mrs. Francis) Well, I feel that no way -- I am looking further ahead than that, that if something should happen to my husband, I could in no way support that payment on my power of earning. I would have to give up the home where my children are being raised. It would be disastrous. I think it would be almost as bad as losing everything initially.

Q I understand. Could you comment on the effect of yourselves and on a community suffering a major disaster with as many homes destroyed as your community suffered, and that would be on the effect of no government program available from the Small Business Administration any rate? What would the effect have been on you and/or your neighbors, if you know?

A Oh, I think there would be great, great mental hardships if they had to face -- most people are paying off a first mortgage and then to have to come up with a second mortgage at that rate, I think we would have had a lot of mental breakdowns, really bad ones.

Q That rate would be market rate for second trust or other financing in this area. I am not exactly sure what that would be.

A Yes.

Q Of course, it would be considerably higher than 14 percent.

A (Mr. Francis) Oh, very much so, yes.

A (Mrs. Francis) I think that would be awful.

A (Mr. Francis) I just wonder how many homes would not have been built.

A (Mrs. Francis) I think at that point that whole neighborhood would have gone down the tubes. I think contractors would come in and just thrown up anything to sell. People would have to sell their lots and move on.

Q You had a satisfactory experience with the Small Business Administration homeowner disaster program?

A (Mr. Francis) Very much so. I have only been in contact with two people from SBA; the fellow they sent out here after the fire -- I am sorry, but I don't know his name.

Q That is not important.

A There was a lady I talked to on the telephone at the Burbank office. Both of them were very helpful, very pleasant.

Q Well, that is about all, except I might sum up by asking your confirmation of my statement that it is my understanding that you do endorse the Small Business Administration disaster loan program to homeowners and feel that it is beneficial to have the rate of interest on the loan which you had to help you and others similarly situated in your community recover?

A (Mr. Francis) Very much so.

A (Mrs. Francis) Yes.

MR. GRANT: Again, thank you so much for coming and making your statement.

A We were glad to do it.

(Whereupon, at 12:30 p.m. the depositions of Mr. and Mrs. Albert Francis, were concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, Albert and Jennifer Francis, acknowledge that we have read the foregoing deposition and that it is true and correct.

Albert Francis

ALBERT FRANCIS

JENNIFER FRANCIS

#80

12:42
Brad
dmt

DEPOSITION OF STEPHEN YOSS

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

STEPHEN YOSS

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Yoss, on behalf of the House Small Business Committee, I would like to welcome you this afternoon and say it is greatly appreciated that you have come to give us your statement on your experiences with SBA disaster lending programs and in view of that experience your opinion on certainly the changes now pending before Congress.

You do understand that no statement you make here this afternoon will in any way affect your loan from the Small Business Administration?

A I do.

Q Fine. For the record, please, sir, will you state your name, your business and your position with your company?

A My name is Stephen Yoss. I am a Certified Public Accountant licensed in California.

The disaster loan though was for a limited partnership of which I am a general partner, California Gold.

We own an RV Park twelve miles south of Hemet, California, and last year we were hit by the floods.

Q That is in February of 1980?

A February of 1980 floods, and suffered extensive damage which had to be put back together.

Q In your California Gold operation, do you have a number of employees?

A Yes, we do. We have a manager and maintenance and two other part-time ladies that work in the store.

Q Was their employment affected at the time of the disaster?

A Well, we were out of business for two and a half months, but we did keep them on the payroll.

Q As a result of this flood, you did apply for a loan from the Small Business Administration and as a result of uninsured damage, you did receive a loan for, I believe,$99,500 for a maturity of?

A Twenty-seven years.

Q Twenty-seven years at an interest rate of five percent?

A Five percent, yes. Actually it is $103,000. They gave us another four.

Q There was an extra amount approved on the loan?

A Yes, for additional damage we discovered later on.

Q I understand. What percentage of loss did you sustain at California Gold? Was it total?

A Total loss, well, I will tell you what we lost. We lost access to the park. The road crossed a creek and the bridge and then the road was washed out. We lost a well. We lost a major portion of the underground electrical utilities in the park. We lost a good portion of land that was washed down and took a lot of the creek. We lost a septic tank, some leach lines and just some sites in general that were washed away.

Q Resulting in having to shut your business down completely until you could re-establish?

A Yes. Until we could establish access into the park again. We did limp through the last six months as best we could, once we had access.

Q Mr. Yoss, if certain proposals before the Small Business Committee were to become law, one of these would result in an interest rate in a disaster such as you experienced of 14 percent. This would, I believe, make your monthly payments approximately two and a half times what they are today.

What, in your opinion, would be the effect on a business such as California Gold, in trying to re-establish itself facing monthly payments more than double those that you presently have?

A It is tough enough right now because we, after being shut down, we have had to really re-establish the business out there.

A lot of people thought it was washed out forever and it has taken a year to re establish. We are running tighter than a drum right now and I would have had to do something else, raise some more money somehow, if those payments would have been twice that amount, or two and a half times.

Q Were any of your fellow businessmen in the community, or, if you may have knowledge of some of your clients, affected by this same flood, their businesses?

A Out in that area?

Q Yes.

A I don't know too many of the people in that area out there. It is a lot of farming.

Q Another proposal pending before the Congress would make available to small concerns suffering a disaster such as yours loans from the Small Business Administration not for up to 100 percent of the uninsured loss, but limit it only to 60 percent of the uninsured loss suffered in a given disaster.

How would it have affected your firm to have only 60 percent of the loss subject to a loan?

A Well, I would have just had to wait to repair, make certain repairs, and just done the best I could to get it back into operation.

Q In other words, your business would have had to run under capacity for a certain amount of time?

A Certainly, yes.

Q I might finish then, Mr. Yoss, in summation by asking you if you do in fact endorse a disaster program such as the Small Business Administration's five percent loan, a five percent loan program to those similarly situated and to small businesses in general in times of disasters?

A Yes, I do. I think that is probably some of the best money our government can spend or make available because, at that point, a guy is in trouble, and he needs at least some place to turn to, and this is my personal opinion.

I cannot see charging a guy 14 percent for that money because it is like the attorney down there at SBA told me, he said, "Look, Steve, I know you wouldn't be here if you didn't need it in the first place."

They put enough controls on it to where I know I didn't, and I don't think too many guys can go and hit up the SBA for cheap money in today's economic situations and I know that is one of the dangers that they are concerned about with the program that someone will borrow five percent money and make a beautiful new park.

Well, I am just glad it was there.

If there is some way to speed it up, it took over six months to borrow the money.

Q Your loan would be disbursed to cover that indebtedness?

A We were flooded February 14th and I didn't get money until the end of August, so I had to get financing.

MR. GRANT: Thank you, sir.

(Whereupon, at 12:43 p.m., the deposition of STEPHEN YOSS was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, STEPHEN YOSS, acknowledge that I have read the foregoing deposition and that it is true and correct.

Stephen W. Yoss

STEPHEN YOSS

#81

Carol/gay
12:45p

DEPOSITION OF COLONEL JACK HYSLOP

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

COLONEL JACK HYSLOP

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Colonel Hyslop, I would on behalf of the House Small Business Committee say we certainly appreciate your being here this afternoon to give us your views on the disaster assistance you have received and, in light of that, your opinion on some of the proposals now pending before Congress.

You do understand that your statements will in no way affect the loan you have from the Small Business Administration?

A Right.

Q Would you state, please, for the record your name and the address of the dwelling involved in the disaster?

A My name is Jack L. Hyslop, and the dwelling involved was 5394 Wall Avenue, San Bernardino, California.

Q Would you tell us the circumstances of the disaster?

A It was what they refer to as the Panorama fire, very early that afternoon. I guess about 1:15 is when it hit our house and totally destroyed it.

Q As a result of that fire, you sustained a total loss of your house. You did have uninsured damage, which resulted in your being eligible for and receiving from the Small Business Administration a loan for $53,800 for a period of 25 years at an interest rate of 3 percent?

A Yes.

Q This would bring us to the first hypothetical question I would like to ask you.

One of the proposals before Congress would change the interest rate on a homeowner disaster program to 14 percent, resulting in a situation such as yours having payments of $631 per month rather than $258 per month.

What, sir, would be the effect on you as far as being able to re-establish yourselves as a homeowner in your community after a disaster like the Panorama fire?

A In my particular case, there is no way I could have rebuilt with that kind of interest rate. I am coming up on 30 years service in June. My mandatory retirement date is January of 1983. I don't know what lies in the future. I would not want to commit at this time. The only other alternative I would have is to take the insurance money and build a much lesser house, something that I really wouldn't care to do.

Q I see. Was your experience with the Small Business Administration disaster assistance satisfactory?

A Yes, all their information and everything seemed quite good. I had one little problem that is probably unusual, but could apply to other people.

If you would like me to go into that now?

Q Feel free.

A Our son is 27 years old, and he is a junior in dental school. He is completely on his own, but so he can make ends meet, he was living at home with us with no charge.

He lost like about $17,000 worth of items in the fire composed mainly of dental equipment, books, skulls, those kinds of things. However, the ruling said that there was only one household eligible for $10,000. I don't think that is quite right. Had he been a border, I don't know what the circumstances would have been, whether he would have been eligible or not. He certainly needed some kind of loan to get re-established.

Q It just points up the difficulty in having a program which is based on legislation and implementing regulations, and no matter how you try to draw eligibility lines, you tend to make mistakes.

A Yes.

Q Based on your statement, then, Colonel, I might sum up by asking you if you do in fact endorse the Small Business Administration disaster loan program for homeowners who experienced the disaster, a disaster such as you did, and think that it is a beneficial and correct use of government funds?

A Absolutely. I hope I never have to use it again, but for somebody else that was in my situation, I think where my tax dollars go, that is one fine use of them for anybody who gets in a disaster like this.

My outlook on contributions and everything has changed quite a bit since this disaster.

MR. GRANT: Thank you, sir.

(Whereupon, at 12:50 p.m. the deposition of Colonel Hyslop was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Colonel Jack Hyslop, acknowledge that I have read the foregoing deposition and that it is true and correct.

Colonel Jack Hyslop

#82

Dennis
dmt
1:00

DEPOSITION OF MR. AND MRS. THOMAS GARCIA

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

JO ANN GARCIA

THOMAS GARCIA

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

Q Mr. and Mrs. Garcia, on behalf of the House Small Business Committee, I would like to thank you for coming this afternoon to give us your statement on your experiences in the recent disaster and in light of that, your views on certain of the changes being proposed.

You do understand that no statement you make here will in any way affect the loan you have from the Small Business Administration?

A (Mr. Garcia) Yes.

Q Would you please state for the record your name and the address of the residence suffering the disaster?

A Thomas Garcia.

A (Mrs. Garcia) JoAnn Garcia.

A (Mr. Garcia) The address was 5734 N. D Street, San Bernardino, 92407.

Q Would you tell us of your experience in the fire?

A Well --

A (Mrs. Garcia) He wasn't really there. I am trying to think where to begin. I guess that day, the whole thing started out with really high winds, but we had had fires in that area before. Nothing had ever come our way. I don't think anybody in the neighborhood who was there ever thought that it would ever really happen. You just don't think about those kind of things.

I don't know -- I don't even know what time anything happened or anything like that. The clock -- something due to the wind, the time was off or something that day. I wasn't even aware of what time anything happened.

I was home alone. I was sleeping very late that day because I hadn't slept the night before due to the wind. I was eight and a half months pregnant at the time. I was sleeping late.

The first thing I knew that anything was wrong was that my husband called and he said, why don't you get up and go look outside because there's some fire in the area. I was very tired. I said oh, honey, there's been lots of fires before, I am not going to go look outside.

I hung up the phone. I hung up the phone and was going to go back to sleep. As I laid there trying to go back to sleep, it smelled very strong in the house, just the -- and I thought, gee, it's awfully strong.

Then I was laying there a little bit longer. All of a sudden everything was just -- from being sunlight, it was total blackness with a red glow.

I thought, oh, My God. I just jumped up out of bed and ran -- threw something -- all I had on was my nightgown. I put my husband's thongs on and ran outside and saw a great big huge -- balls of fire dropping. Then I -- I didn't know what to do. I ran in -- the first thing I thought ot was my animals. I have my animals in the garage. I left them in because of the high winds that day.

Normally they are outside. They would have been safer had they been outside. Because of the high winds, I had the animals in the garage.

I got my dog out of the garage and I managed to get one cat. The other cat wouldn't come out of the garage. The whole garage was full of smoke.

After I got -- I picked up my one dog. As pregnant as I was, all I could think of was trying to save my animals first.

I picked up my one dog, put him in the car. Wrestled around with one cat who scratched me bad. Got her. Put her in a pillow case. That is the only way I knew of to get her to the car. Put her in the car. I grabbed another pillow case. I put some underwear and -- I had an earring case with some good earrings in. There was a jar sitting on the table with a -- I knew with a lot of change. I grabbed my purse and ran to the car. My car was dead. It would not start. That really freaked me because I did not know what to do then.

I ran back in the house, tried to get my husband on the phone. I could not get him on the phone.

I went out. I don't know what made me think that I could try to keep the house from burning down but I got the hose and was putting out little fires and screaming at my neighbor to get up on the roof and put out a little fire on my roof. He got up on my roof. He squirted that down with the hose. Then his roof was on fire. He jumped down and went to his roof. I went back in the house. Then I just -- I thought if anybody -- maybe the emergency operator. So I got the emergency operator.

I said, "Look, I can't leave. My car is dead. I am eight and a half months pregnant. My house is going to burn down. My husband is at work. Can you please get him?" I told her exactly where he was.

As I finished telling her, the phone went dead. The ducts that are in the ceiling all of a sudden, all the black smoke just came out. I knew my roof was on fire. I just ran out. I just stood there and looked around thinking what am I going to do, how am I going to get out of here. I saw neighbors leaving. I screamed at them (indicating) help me. They stopped. They came back. They said, "JoAnn, we didn't know you were home."

I got in the car with them. Her husband went back and got my dog. He thought he got the pillow case with the cat in. He got the other pillow case with a few things in. I just left with them. The whole time I kept saying we have to get to a phone and call Tom and tell him we are all right. I don't want him -- if he sees my car there he will run in the house and get killed.

That is what I was terrified of, of him running back and seeing my car, thinking I was in the house and going in there and getting killed himself. I was terrified of that.

We got to a phone and called. He did go over there, but he didn't go in. Then my neighbor finally told him I was okay. But it really was something.

A (Mr. Garcia) I was trying to call her from work. I noticed the fire. I work for the Sheriff's Office. I was down in the courtroom. So, I called my boss and told him I wanted to get up there and borrow a unit from central patrol.

While I was in the process of doing that, I got the call from the operator, who informed me that she had my wife on the line and my wife related that information earlier she stated. Then the line went dead. I ran down and got in a unit. I rolled up there practically Code Three, red lights and some sirens. When I hit the bottom of the street, the house was just completely ablaze.

I knew mine was gone by then. Black smoke was going across the street there. I couldn't see, of course, but I decided just to go ahead and gun it and just took a chance and got up to the top of the street.

Fortunately, my neighbor, who was all bundled up -- I didn't recognize him -- he was watching his house burn down. He informed me JoAnn got out and was somewhere on North Park Boulevard.

I went down there. That entire neighborhood was starting to go up. I got out of there to try to direct some of that traffic. I pulled my unit over and got out and was trying to do the best I could under the circumstances.

I was out there in the middle of the street with the high winds and a little ash in my eyes and a little smoke inhalation. After a while, I found out from a friend of mine that she was okay, she was out, there at the center. After that I went down and picked her up. We went over to her mother's in El Monte and stayed there.

Q Of course, your home was totally destroyed?

A Yes. We went back out the next day. It was leveled to the ground.

A (Mrs. Garcia) I didn't go. After he showed me a picture not too long ago, I couldn't stand it. It bothered me too much.

Q As a result of uninsured damage you applied for and did receive from the Small Business Administration a loan for $19,000 for a period of 25 years at an interest rate of 3 percent?

A (Mr. Garcia) Originally, yes. That has been changed.

Q What is the amount currently?

A Currently it is $35,800 at 3 percent for 25 years at a payment of -- do you need the payment?

Q If you know it.

A $172 a month. That is going to be changed again to a lesser amount because -- that depends on what settlement I make with my insurance company. I called them today and they are gathering information, and hopefully they will give me another $3,000 off my policy. This will reduce that amount of money.

Q This would bring us to our first hypothetical. If, for example, the proposal in Congress to raise the interest rate on a loan such as the one you received from 3 percent to 14 percent were in effect, your monthly payments would go from the approximately $172 a month, I believe, to approximately

$420 a month. What effect would that have on your ability to re-establish yourself as a homeowner in your community?

A $420 on the $35,800 borrowed?

Q In other words, something approximating two-and-a-half times the amount of monthly payments you would now have if this were to be in effect. What effect would that have on your ability to re-establish?

A Well, it would have a great effect, the difference in money there. We would be able to handle it, but it would be years -- it would take a longer time to re-establish, and we both work. We don't have a large family. The area we live in most people there have children. We lost our kid, by the way. We still don't have a family. So, for us we might -- it might be a little easier than other people.

I can see where -- my neighbors next door to me, it would kill them. They couldn't afford it. They would have to build and move elsewhere.

Q You did have neighbors who also received a loan from SBA?

A Most everybody I know has received a loan, with the exception of perhaps the people that lived across the street one house down, the Welty's. They died in the fire. Their children were not going to rebuild there. I think the lot is up for sale.

Q Based on your experience with the SBA program and the experience as far as you know it of your neighbors, do you endorse that as a helpful and profitable response at a time of a disaster such as you suffered?

A Yes.

A (Mrs. Garcia) Oh, yes.

A (Mr. Garcia) There is no doubt. I can understand maybe some of the problems that they are having in Washington, but 14 seems to be pretty high. Something a little more reasonable. I mean, my mortgage rate is 8-1/5, and I secured my mortgage rate only four years ago.

To go from 8-1/2 to 14 within that short span of time is a little tough to bear.

Q I understand.

Mr. and Mrs. Garcia, we again would like to thank you for coming and giving us your statement. On behalf of the committee, thank you. We know this will be very helpful in our deliberations.

(Whereupon, at 1:10 p.m. the deposition of Thomas and JoAnn Garcia was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESSES

We, Thomas and JoAnn Garcia, acknowledge that we have read the foregoing deposition and that it is true and correct.

Thomas Garcia

Thomas Garcia

JoAnn Garcia

JoAnn Garcia

#83

Brad.
dmt
1:14

DEPOSITION OF CHARLES W. MOREE

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

CHARLES W. MOREE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Moree, on behalf of the House Small Business Committee, I would like to thank you for coming this afternoon to give us your statement on your experiences in the recent disaster and your views on certain proposals pending before Congress to change the disaster assistance programs of the Small Business Administration.

You do understand that no statement you make here today will in any way affect your loan from the SBA?

Yes.

Q Would you state your name and address of the residence involved?

A Charles Wayne Moree.

My address is 5494 N. Stoddard Avenue, San Bernardino.

Q And would you give us briefly, please, sir, the experience in the disaster?

As you know, it was a pretty bad thing.

A lot of people lost their homes and everything they had, including us. We lost every single thing except the clothes we had on our back. I was at work at the time the fire started. I was working up in Victorville at that time and when I received a call from my daughter that the house was on fire, of course, I immediately left work and come home, but when I got there my area had already burned.

North Park had already burned at that particular time and I live north of North Park, but we did lose everything that we had, including one car and two motorcycles that we owned. It was a total loss for us.

Q All right, sir, and as a result of the Panorama fire disaster, you qualified for a Small Business Administration homeowner disaster assistance loan.

You did receive a loan in the amount of $38,600 for a period of 30 years at an interest rate of three percent.

A Yes, sir.

Q This would bring us to the first hypothetical question I would like to pose. If changes were made in the program so that the assistance which was available to you would be at an interest rate not of three percent, but of 14 percent resulting in a payment on a loan similar to yours, not of $165 a month, but of approximately $375 a month, I would like to ask what effect that might have had on you and your family in re-establishing in your community?

A Well, it would have had a terrible effect on us. I am not so sure we could have rebuilt. I am really not.

There is a possibility that we probably would have had to sold the lot, paid off the existing home that we have and perhaps just move somewhere else.

Q Do you think many of your neighbors, some of whom I would assume received SBA disaster loans, would have found their position in the community to be similar to what you faced as a result of the Panorama fire?

A Yes, I am positive that our close friends that we ave talked to, and they are in the same situation, yes. The same thing would have happened to them, yes.

Q I see. Did you have a satisfactory experience with the SBA disaster loan program?

A Yes. We are very grateful for what SBA did for us.

I would have one recommendation on the SBA loan, if I may, and that is on personal, on household goods and personal contents, I just feel that the $10,000 is not enough money. That was one of our, was our greatest loss, and it would have been nice if we could have borrowed more than $10,000 on that but again, we are grateful for what we were able to get. We certainly appreciate it, we really do.

Q So then I would assume you do endorse a government program providing low interest rate disaster loans to a community in order that those may, I am sorry -- those in the community may rebuild after a disaster such as you suffered?

A I certainly do, sir, yes.

MR. GRANT: Well, thank you again, Mr. Moree, for coming and sharing your views.

THE WITNESS: Okay. Well, thanks for inviting me over and one more time, I would like to state that my family, we are very grateful. We just could never have done it without the SBA loan and we are really grateful for the help that we received, sir.

(Whereupon, at 1:19 p.m., the deposition of CHARLES W. MOREE was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, CHARLES W. MOREE, acknowledge that I have read the foregoing deposition and that it is true and correct.

Charles W. Moree

CHARLES W. MOREE

#84

Caroi/gay
1:20p

DEPOSITION OF SHIRLEY SCHOENGART

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

SHIRLEY SCHOENGART

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Schoengart, on behalf of the House Small Business Committee I would like to say we certainly appreciate your coming this afternoon to give us your statement on experiences in the recent disaster and your opinions as to proposed changes affecting the SBA disaster lending program.

You do understand that your statement here today will in no way affect the loan that you have received from the SBA?

A Yes, I do.

Q Would you state, please, for the record your name and the address of the home which suffered the disaster?

A I am Shirley Ann Schoengart, address is 484 West North Park Boulevard, and that is San Bernardino, California.

Q And you experienced the Panorama fire disaster?

A Yes.

Q Could you tell us as a result of the fire whether or not your home was totally destroyed or seriously damaged?

A We didn't have a thing left, nothing, except the clothes that we were wearing and our lives.

Q Did you also lose all of your household effects and any automobiles?

A We did not lose the automobiles. That is the only thing we have left, is automobiles. We lost everything else. We have one little tiny box, and it is all odds and ends burnt up things.

Q Were you near neighbors similarly affected?

A Let's see, going north, they still have their house. After almost losing his life, he fell off the roof three times trying to save his and trying to save ours and the three houses next to ours were burned.

Q As a result of that fire, you were eligible for a Small Business Administration loan and, I believe, have received as a result of uninsured loss a loan from the Small Business Administration for $38,000 --

A Yes.

Q -- for a period of 20 years at an interest rate of 3 percent?

A Right.

Q This would bring me to the first hypothetical question I would like to pose. Under certain proposals pending in Congress, the interest rate on a homeowner disaster loan would be raised from 3 percent to 14 percent. On a loan such as yours that might result in the monthly payment going from $213 a month to $462 per month.

Could you state what effect you think that might have on your ability to re-establish as a homeowner after a disaster such as you suffered?

A I don't think that we could rebuild then, or unless one of us got an extra job, because we would just be making it now, if it wasn't for SBA to help us build up because we were so underinsured. I don't know how we would make it with payments like that. We would have our first payment, too, plus that.

Q I see. Did others in your neighborhood experience the same difficulty after the fire; in other words, somewhat underinsured and in a bad position as far as carrying an original mortgage at a high interest rate? You think that would have also worked a hardship on your neighbors as well?

A I am sure there are several. If it wasn't for the SBA loan at 3 percent, they would have a hard time.

Q Was your experience with the SBA disaster program satisfactory?

A Oh, yes, they were very helpful. They have always given us an answer, told us what to do.

Q You would then endorse a program such as the SBA disaster loan program to homeowners at a 3 percent interest rate in the event of a catastrophe like the Panorama fire, which you and your friends and neighbors suffered?

A People would crack up if they wouldn't be able to start over, and this gives you a chance to really start over. Like my 11-year-old son said, it is like being born all over again. You are starting over from scratch. We were married almost 14 years, and all of it is gone, you know. You learn that your material things don't mean that much. I mean, now that we are rebuilding everything, we don't need all the things that we had before.

MR. GRANT: Thank you so very much for coming and sharing your views with us.

(Whereupon, at 1:29 p.m. the deposition of Shirley Ann Schoengart was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Shirley Ann Schoengart, acknowledge that I have read the foregoing deposition and that it is true and correct.

Shirley Ann Schoengart

Shirley Ann Schoengart

#85

Dennis
dmt
1:45 p.m.

DEPOSITION OF ROY E. LABONTE

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

ROY E. LABONTE

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Labonte, I want to thank you on behalf of the House Small Business Committee for coming in this afternoon to give us your views on the disaster assistance you received and your opinions regarding several of the proposed changes pending before Congress.

You do understand that your statement here today will in no way affect the loan that you have from the Small Business Administration?

A Yes.

Q Would you state, please, sir, for the record, your name and the address of the home suffering the disaster?

A Roy Labone. The address is 1149 Hampshire Road, San Bernardino.

Q Would you describe the disaster that took your residence, sir?

A I was hit by a succession of four floods up there. The first one just came about maybe three-quarters up my front yard, covering my lawn. This was cleaned up in a matter of a few days. Then I guess a week after -- about a week after that, as I was coming home from work, a thunderstorm was passing by the mountains. I could see what was happening, that there was a big one coming.

By the time I got home, I couldn't get down to my house. All I could do was watch from an intersection uphill from my home. The floods -- the flood and the mud, I should say -- water and mud -- just came roaring down the street I guess ten, twelve foot high, somewhere in that area. It broke through the front of the house, breaking doors and windows, coming through the house.

It carried in trash and just covering everything in the house up to about three, four foot high. My family was in the house at the time, and they had all they could do to gather up pets, run out the back, and jump over a fence in the back yard to get down into a street down below, running from it.

Q As a result --

A Okay.

Q Go ahead.

A This is the first really bad one. I guess another week or two, I was hit again and this time it came through again the front door. It covered the entire house with about another three foot, average three foot of mud throughout the house. There was nothing -- at that time we had cleaned the entire house out. There was nothing much left at that time in there except maybe just cleaning supplies; maybe a few chairs and a table.

After that we cleaned it up again and we had actually moved back in, thinking everything was -- the worst was over.

The last one we got hit with hit us the worst.

Q That was on January 4, 1980?

A No. The worst one I think was - the very last flood up there was the worst one. It came through the walls, broke through the walls, our bedroom walls, collapsed the garage walls, just completely filled up my master bedroom with mud right to the ceiling.

We were all in the house at the time. We had just moved back in.

(Discussion off the record.)

Q Mr. Labonte, then as a result of these floods and mudslides, what became of your residence?

A The residence was eventually sold to the city and the city in turn put them up for bid and a private developer bought the homes and is moving them to a location on the west side of San Bernardino.

Q In order to re-establish yourself as a homeowner, you applied for and received homeowner disaster loan from the

Small Business Administration?

A Right.

Q I believe this loan is for approximately $32,700 with a maturity of 30 years at an interest rate of three percent.

A No. Initially we were going to repair the home on Hampshire. This $32,000 was for the repairs of the home on Hampshire. The entire area was condemned, so the money now is a max of $55,000 and I am using that to build a new home.

Q This is at an interest rate of three percent for a maturity of --

A Thirty years.

Q This would bring us to our first hypothetical, Mr. Labonte. If the assistance available to you were not at an interest rate of 3 percent, but an interest rate of 14 percent, you realize your monthly payments would be approximately two and a half times as much?

A Right.

Q What would this do to your ability to re-establish yourself in San Bernardino as a homeowner?

A I suppose I would be -- it is hard to say. At the current interest rates, I probably would not be buying a home for some time. I would just end up renting until I could accumulate enough cash so I wouldn't have to get such a large loan.

Q Were any of your neighbors similarly situated in the floods and mudslides recipients of SBA homeowner disaster loans?

A I think quite a few were.

Q Do you think their experience with the flood and the resulting difficulty they would have had in re-establishing at an interest rate as high as 14 percent would be approximately the same as yours?

A I believe so, yes.

Q Were you and/or your neighbors, to your knowledge, satisfied with the SBA disaster assistance the way the program was administered and the way you received the assistance?

A Yes. No real big complaints.

Q Do you think it would have been a hardship on you and your neighbors who suffered these floods and mudslides if there had been no government assistance available at all?

A Yes, definitely. I think there would be great hardship on everybody there.

Q Mr. Labonte, that would conclude your statement unless you have additional comments you would like to make for the record. We would end here at this point with thanks on behalf of the Small Business Committee.

A One point I would like to make.

I think the maximum limit of SBA loans is too low at this time. With inflation going the way it is, I think they could raise the limits. Other than that, everybody is great.

MR. GRANT: Thank you, sir.

(Whereupon, at 2:00 p.m., the deposition of ROY E. LABONTE was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, ROY E. LABONTE, acknowledge that I have read the foregoing deposition and that it is true and correct.

Roy Labonte

ROY E. LABONTE

#86

Carcl/gay
2:05p

DEPOSITION OF MARIA LIGHT

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

MARIA LIGHT

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Light, on behalf of the House Small Business Committee, I would like to welcome you here and state that we certainly appreciate your coming in to share your views and experiences in the recent flood disasters.

You do understand that nothing you say here today will affect the loan that you have from the Small Business Administration?

A Okay.

Q As a result of the floods and mudslides in January and February of 1980, I believe you lost your home of some 17 years and were forced to relocate, is that correct?

A Yes, that is true.

Q And in that process you applied for and received a loan from the Small Business Administration for $50,000 for a period of 30 years at an interest rate of 3 percent, I believe?

A Yes, that is true.

Q Now, Mrs. Light, as a widow having gone through a disaster like this, I guess pretty much by yourself, what was your reaction to the assistance you got from the Small Business Administration?

A From the beginning, like I said it before, I was thinking I was lost and losing my house, losing that weight. It is like I was dying, you know, with the house, but then this program, the SBA come over and with the help, the monies, and I feel like they give me a good hand and pull me and said, "Here we are, you are not alone."

Everybody was very wonderful. I went to Burbank a couple of times to talk to Mr. Cornelius -- I don't remember his first name -- and also with a lady, the name of Elva, something like that, and they were very courteous.

I was surprised because all these years here, I got the feeling that these Americans, they really don't care. They live in their own world, and they, "Hey, don't come over here," but now, from now on, I change.

Everything changed in my life for me and for my children.

Q Well, let me ask you one of the proposals in Congress would be to take the program under which you have received disaster homeowner assistance at 3 percent and raise the cost of money to 14 percent. The result of this would be for someone in your situation, the payments would go from, say, $200 a month to almost $600 a month, almost triple the expense.

What do you think the effect would have been on you if you would have had to pay three times as much as far as getting your home re-established? Would that have created a hardship?

A Yes, lots of difference. I really don't know what to do because, see, I am widowed. The only income I receive is my Social Security, and I really got lost when that happened. I hope from the bottom of my heart that they don't have that.

Q Well, thank you so much.

A I don't know if you really understand my English or not, but I am sure we don't have hard communication.

Do you know something? That is too bad, some American people, they don't know what they got. They ought to be more proud, is my opinion. But I am very happy here, and I don't have another choice, but I would like to die here in your country.

MR. GRANT: Thank you.

(Whereupon, at 2:10 p.m. the deposition of Maria Light was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, Maria Light, acknowledge that I have read the foregoing deposition and that it is true and correct.

Maria Light

#87

Dennis
dmt
2:25

DEPOSITION OF STEPHANIE RENO

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

STEPHANIE RENO

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Reno, on behalf of the House Small Business Committee I would like to thank you for coming this afternoon to give your statement on the disaster assistance programs with which you have been involved and your opinions as to certain of the changes proposed regarding these programs.

You do understand that your statement will in no way affect the loan you have with the Small Business Administration.

A Yes, I understand that.

Q Would you state, please, for the record your name and the address involved in the disaster?

A Stephanie Reno, 3942 Del~~ray~~ Rey St Drive, San Bernardino, California, 92404.

Q Would you describe the disaster that took your residence?

A It was flooding that took place in January and

February and March of 1980. I live on the Southwest corner of Hampshire and De~~lray~~ Rex St. The whole area from my street to the next street, 40th, was involved.

In April, early April, the city of San Bernardino condemned the property that I am living in and I was ordered to move and seek other residence.

Q As a result of losing your home, you qualified for, applied for, and received assistance from the Small Business Administration for uninsured loss. This loan was in the amount of $50,000, I believe, for a period of 30 years at an interest rate of three percent?

A That is correct.

Q This loan results in monthly payments at this time of $213. This brings me to the first hypothetical question. If that assistance were available to you not at an interest rate of 3 percent, but at an interest rate of 14 percent, with a resultant monthly payment of $577 rather than $213 dollars, what effect would that have on your ability to re-establish as a homeowner?

A I would have no ability to re-establish as a homeowner. I am a divorced woman. I have two children. I make approximately $850 a month. My ex-husband is dying of Hodgkins disease. I get no child support. Everything I worked for my whole life was tied up in that whole house. I only cleared $20,000 after the payoff when the city bought me out. So

$20,000 would not have allowed me to buy another house. At 14 percent or -- $500 a month, there is no way I could have afforded that. That would be a hundred and some dollars more than what my original house payment was, which was $403.

Q Was your experience with the SBA homeowner disaster program satisfactory?

A In the beginning, no, it wasn't. I applied for this loan. I went to Elsinore, picked up all my forms, mailed them back May 9th of 1980. In June sometime they notified me they had my paper work. I heard nothing until I contacted them in December.

Then they informed me they had no record of my loss. I said, well, how can that be when somebody contacted me? They said, well, they never got it in the office. They sent me another batch of paper work. Then everything got going and I have been very satisfied since the second application was turned in.

Q There were others, I believe, in your neighborhood who lost their homes as a result of this flood?

A That is correct.

Q Do you know of their experience whether or not they also received SBA homeowner disaster loans?

A Everybody that I know of personally that received SBA money was more than satisfied.

The only problem was the time allowed to get the money to them. They had to wait. There was a -- I don't know how you want to put it, a long waiting period for this money.

Q Based on your experience and to the extent you know of the experience of those in your neighborhood, is the SBA loan program a necessary vehicle in assisting homeowners to re-establish after a disaster?

A I do believe so because I don't generally -- generally everybody that lived in my area owned their house for several years, so they had a low interest rate, probably six to nine percent. So you would be losing that 6 to 9 percent loan. If you raised the rates on SBA to 14, that is practically current market value. You are losing this low interest rate and your payments are going to be sky high, 500 minimum.

Where lots of people had 200, $300 house payments, you are asking them to cough up an additional $200 bucks a month on top of their other living expenses. I think it has been super. Everybody I know of is very glad they were able to get the loans and the money was available to them.

MR. GRANT: I would like to thank you very much again for your statement on behalf of the committee.

(Whereupon, at 2:30 p.m., the deposition of STEPHANIE RENO was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, STEPHANIE RENO, acknowledge that I have read the foregoing deposition and that it is true and correct.

STEPHANIE RENO

#88

Dennis/gay
2:40p

DEPOSITION OF JOHN K. ZAHAROPOULOS

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

JOHN K. ZAHAROPOULOS

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Zaharopoulos, I want to thank you for coming this afternoon to give us your statement. We seek only your views and any statements you make will in no way affect the loan which you have with the Small Business Administration.

Could you state, please, sir, again for the record, your name and the address of the disaster, the home which suffered the disaster.

A I am John Zaharopoulos. I live at 160 West Lupin Lane. That is in San Bernardino.

Q Would you describe, please, sir, for the record, the disaster which affected your residence?

A The fire, of course. There was a devastating fire. It was bad.

Q Was your home totally destroyed?

A Totally.

Q As a result of this loss, you applied for and received from the Small Business Administration a homeowner disaster loan in the amount of $49,200, and a refinancing loan of $49,200, for a total of $98,400. The first loan was at 3 percent and the second was a 9-1/4 percent. Is that correct?

A That is correct.

Q This would bring us to the first hypothetical. If that loan had been made at an interest rate of 14 percent, which is one of the proposals currently before Congress, it would have switched your monthly payments from approximately $651 as they currently are, I believe, to $1,135 per month. What effect would that have had on your ability to establish yourself as a homeowner after the disaster you suffered?

A I never would have been able to build the kind of house I am going to build, first of all. I had to do something with it. I would probably try to work with this $600, $700 a month payment rather than the $1,100 or whatever you mentioned. It definitely would have a devastating effect.

Let me add one more thing here. When a disaster like that occurs to anybody, whether it is the most wealthy person or the poorest person, it is so devastating that this is so necessary for the people and even, you know, the 3 percent, I think it is a very good interest, but I hope that they raise the price to maybe $75-100,000 for that interest rate because, let's face it, when people lose their home, they lose everything. When you work 15, 20 years accumulating whatever you accumulate in your house, you can't replace it for no amount of insurance -- I don't care how much insurance you have.

If there is no such programs such as this, the people would definitely have a very hard time, very hard time.

Q I believe you also had a 1980 flood disaster that affected your business?

A Definitely. I am not -- that program did not help me in any way, shape or form.

Q You did apply for and receive a disaster loan in the amount of $7,900 at an interest rate of 5 percent?

A That is correct. I applied for $165,000. You can see the different span between what I received and what I applied for. As a matter of fact, I am just now -- I sent a letter back to this department hoping that they would reconsider that.

Q Was your loan for $165,000 based on the physical damage to your business or was that amount an economic injury disaster loan?

A It was both, both. The majority was for economic injury.

Q I understand. So the physical disaster loan you received did repair the damage?

A Not quite, no. The physical repairs that I did amounted to about $25,000, approximately, and I received less than $8,000.

Again, I was in a position to be able to own a home at that time, and because I owned a home, I had to refinance my home in order to stay in business. If I didn't have that, the bank told me forget it, close the business down, we will not give you anymore money to stay in business any longer.

So therefore I kept my employees going and I increased my business by 40 percent.
400% yrs.

Q How many employees do you have?

A I have about 25 employees now.

Q Would you state for the record the name of your business?

A The name of my business is Big John's Restaurant. We had an unfortunate thing, also. Just a couple of days ago we had a bad fire again. It seems like it is chasing me around. My business is going to be closed now for another two months again.

Q So, this makes your cash flow problem more critical all the time?

A My cash flow problem makes it very difficult. You know, the banks do not favor loaning money to restaurants. Let's put it this way. Maybe they favor loaning money to other businesses, but if you are a restaurant man and have an occupation like myself for 20 years and you go down to the bank and apply for a loan to build a restaurant, they say, what, are you in the restaurant business, why don't you open up a warehouse and we will loan you the money.

How are you going to change your occupation after you are in it 20, 25 years? What are you going to do? That is my business. I have been successful in the restaurant business. Because of things like this, there is no control.

I will give you an example. On the business, the local paper had estimated that there were 7,500 cars a day that were detoured from Highland Avenue, which is right in front of my restaurant. That is a tremendous amount of automobiles.

But the homes, they took care of that part very good. I don't know what their approach is towards business, but in my opinion, it has not been too favorable for me. It might be for other people.

Q I understand. You do then endorse their homeowner assistance program?

A Definitely.

Q At an interest rate which enables people to re-establish themselves as homeowners?

A Definitely, yes, wholeheartedly. I think that program worked very good. I have no complaints whatsoever. If I am here for that, I would definitely say that they really helped us out.

MR. GRANT: Mr. Zaharopoulos, thank you so much.

(Whereupon, at 2:45 p.m. the deposition of John K. Zaharopoulos was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, John K. Zaharopoulos, acknowledge that I have read the foregoing deposition and that it is true and correct.

John K. Zaharopoulos

John K. Zaharopoulos

#89

Brad.
dmt
2:50 p.m.

DEPOSITION OF MR. AND MRS. KENNETH H. MANN

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

KENNETH H. MANN

MARY MANN

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Thank you very much for coming. I would like to welcome you on behalf of the Small Business Committee.

We are here seeking your views based on the disaster assistance you have received and your opinions on proposed changes before the Congress in this disaster program.

You do understand that no statements you make here today will in any way affect the loan you have from the Small Business Administration?

A (Mr. Mann) We do.

Q Would you please, for the record, state your names and the address of the home involved in the disaster?

A I am Kenneth H. Mann, at 5540 Sepulveda. That is S-e-p-u-l-v-e-d-a Avenue in San Bernardino.

Q Would you describe the disaster as it took your residence?

A Yes, the fire completaly destroyed our home. We had a home with a three-car attached garage by means of a breezeway. It completely destroyed that. It burned it right down to the slab floor including, we also had a stable, it burned the stable down to the ground.

We also had a Chevrolet three-quarter ton truck in the garage and my daughter has a Fiesta car in the garage which was, or were destroyed as well as I had a 23-foot house trailer parked next to the house, and it was also destroyed.

In fact the only thing we came out of the house with were the clothes on our back. We were there are the time of the fire, but we could do nothing to prevent it.

Q As a result of the fire and your loss, you did apply to the Small Business Administration for a homeowner disaster loan.

Based on the uninsured loss you suffered, they did grant you a loan of, I believe, $42,900 with a maturity of 20 years bearing an interest rate of three percent?

A That is correct and they have authorized me that loan I have not actually taken it as yet, because we don't have our exact figures on the reconstruction of the home as yet.

Q It is undisbursed at this time?

A Right.

Q This would bring me to my first hypothetical question

If the disaster assistance available from the Small Business Administration were at a rate of 14 percent rather than at a rate of 3 percent resulting in, for instance, in your situation, monthly payments of $520 a month rather than $241 a month, would that have had any effect on your ability to re-establish yourself as a homeowner?

A The amount of insurance I had was not adequate to rebuild the house as it was, so if I did not have the benefit of this loan, and then we would have had to have built a lesser structure.

I don't feel, at our age, I don't feel we would have wanted to have gone into a mortgage at 14 percent interest.

Q Did your experience in the fire parallel that of any of your neighbors, as far as qualifying for and receiving a Small Business Administration loan?

A Well, of course, I don't know what their insurance needs were that they had. It appears to me that most of them were somewhat underinsured which I found, I happen to be an insurance adjuster but I found that most people were underinsured including myself.

I had arranged for my policy to be increased in September, but it did not become effective until the renewal date in December, so I was about three weeks behind.

MR. GRANT: Off the record.

(Discussion off the record.)

A (Mr. Mann) I would like to add this. To me it appears that the houses that are being built up there now are just much nicer than they were before, and I think very much of this is not due to the insurance that they had, but the fact that they could qualify for your Small Business Administration loan.

Q The experience you have had with the program, notwithstanding the fact your loan remains undisbursed at this point?

A I was very much surprised at the efficiency with which it was handled. It was very, very professional.

I am trying to think of the young man's name that handled it out there. Rittenberg was his name that handled it out here and came to several meetings that were held by the city and gave a talk and answered all kinds of questions and I have nothing but praise to say for your organization, and I am not just trying to pat you on the back, because my loan is already agreed.

I have nothing to gain by trying to compliment you. I am just trying to tell you what I have found.

Q Based on your experience in the insurance business, your knowledge of real estate and your knowledge of the disaster that might befall a homeowner, you do believe this program is beneficial and proper, and a worthy expenditure of the taxpayers' money?

A Yes, I do, providing you make sure all of the loans are paid back. I have heard some comments in the news media that many loans are off the record and not actually paid and if that is the case, I am not in agreement with that at all.

I think it should be paid on time too.

Q I understand, and the loans are granted contingent upon repayment ability. They are not grants.

Well, Mr. and Mrs. Mann, I want to thank you again on behalf of the Small Business Committee for giving us your statement.

(Whereupon, at 3:00 p.m., the deposition of KENNETH H. MANN and MARY MANN was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESSES

We, KENNETH H. MANN and MARY MANN, acknowledge that we have read the foregoing deposition and that it is true and correct.

Kenneth H. Mann

KENNETH H. MANN

Mary Mann

MARY MANN

#90

Dennis/gay
3:10p

DEPOSITION OF MR. AND MRS. JOHN B. LAWSON

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

JOHN B. LAWSON

MARGARETTE LAWSON

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A (Mrs. Lawson) Present address or old address?

A (Mr. Lawson) John B. Lawson. Where do I live?

A (Mrs. Lawson) 27719 21st Street, Highland, California, 92346.

Q Mr. Lawson, you lost your home in the fire?

A (Mr. Lawson) We lost our home.

A (Mrs. Lawson) Yes, sir.

Q Was it a total loss?

A (Mr. Lawson) It was a total loss.

Q Did you have any insurance on it?

A Yes, sir.

Q And in addition to the insurance coverage, there was additional loss which was not covered, is that correct?

A (Mrs. Lawson) That is correct.

A (Mr. Lawson) Yes, as far as I know.

Q As a result of that, you obtained a SBA loan to rebuild on the same property?

A I have obtained a loan. I haven't gotten the money yet. I just got $5,000.

Q Your home is under construction now?

A It will be.

A (Mrs. Lawson) No.

Q How long do you think it will take to rebuild it?

A (Mr. Lawson) About four to six months.

A (Mrs. Lawson) Whenever they start. They say three, but you know that is not true. No way, not true.

Q You are living in rental property now?

A (Mr. Lawson) Correct.

Q Under the terms of the loan that the SBA has approved, you will be making repayments once you obtain your loan at the rate of $285 a month for 20 years in order to repay the loan at 3 percent interest. Your loan is not going to be changed, nor is anything else, but we are considering proposals to change the program as to other people who have not yet applied. There will be future changes.

One of the proposals is to increase the interest rate to 14 percent instead of the 3 percent rate for which you were approved. If this were to be done to someone in your situation with a loan of $50,700, this would amount to monthly payments of $616 instead of your $285.

What impact do you think that type of a monthly payment would have on your ability to rebuild?

A I don't know.

A (Mrs. Lawson) I sure would think a long time before I would take out a 14 percent loan. I would. But I don't know what impact it would have. Eventually you have to have a home.

Q You think you would have rebuilt regardless of the costs?

A No, I wouldn't put it that way.

A (Mr. Lawson) I wouldn't know. I wouldn't know what I would do under those circumstances. I would have to think about it.

Q Do you think you could make $600 a month payments, though?

A I don't know what I could do. I can do anything in this world almost if I work hard enough and get enough help on the way. I would be strapped. It wouldn't be easy, but if I got two jobs and moonlighted on the side, I probably could.

Q What do you think of the SBA program from the experience you have had with it to date?

A I don't know. I don't have much feeling about it because so far I haven't had much result from it. They sent me the first $5,000 and said I couldn't spend it. I put it in the bank. I am waiting until I get my -- if I interpret the rules and regulations right, until I get the insurance spent before I can spend it.

I don't understand the program. Why, if I get a loan I can't use it. It is kind of difficult, never having experience with that kind of a loan before, to understand it.

Q What type of restriction did they put upon your use of the proceeds?

A I don't know. It may be my interpretation. They just said, the way I understand it is --

A (Mrs. Lawson) Well, it is confusing. I will tell you why. Because certain things are not covered by the insurance, but there is a procedure in rebuilding. For instance, we want to do solar. They have your solar collectors -- the holders put on the framework as the building is being framed.

Well, obviously we won't have spent all our insurance at the framing of the building, but we need -- it isn't covered in our insurance. The solar--so we need to use our Small Business loan for solar.

If we interpret it right, we can't use it for what we need it for. I don't understand.

A (Mr. Lawson) We have a hard time being sure that we stay within the realms of the intent of the rules and regulations or the law, whatever it is that we are supposed to go by.

A (Mrs. Lawson) It is just real confusing.

A (Mr. Lawson) We have not used any of it because we haven't started building yet. We don't know at what point in time we will get to use it.

A (Mrs. Lawson) If I need it, I need it.

A (Mr. Lawson) It is not like going to the bank. We feel restricted. You go to the bank and borrow $50,000 or $20,000, you know you borrowed it, you know you can spend it. We are not sure at this point in time.

It may be because we are premature. It may be a little early.

A (Mrs. Lawson) We may not know what we are talking about.

A (Mr. Lawson) There may be no restrictions on it.

Q There is one general restriction. That is that the proceeds are available only to repair or replace what you had before.

A Right.

Q It may be that your solar would be considered an upgrading of something you didn't have.

A Somebody needs to tell us that.

A (Mrs. Lawson) No. They don't consider -- the government -- all information on solar we get, the government does not consider it upgrading. It is part of a real energy-saving program. They say they will give us tax rebates if we will do it.

It is so important that this is what they will do. Then this other government agency says you can't spend our money for solar.

Q That is what I am saying. I think they are essentially saying you are upgrading something you didn't have before.

A Not upgrading. Not according to the energy department.

A (Mr. Lawson) The thing is that we really don't know at this point what we can do and what we can't do. That is most confusing to us. Consequently we are doing nothing with the government's money.

In the first place, we don't have but 5,000. It is setting in an account. I wouldn't spend a penny of it because I don't know when I can. It is a little bit confusing to us at this point. It may be because we haven't gone far enough into it to have somebody tell us what we can do and what we can't do. You see? I don't know if I am making sense or not.

Q Yes, sir, I follow your --

A (Mrs. Lawson) I can't find where it said something about that. Anyway, here we have to start -- let's see, we signed for disaster loan February 23, 1981 for $50,000, and it is to start, repayment within five months. Yet we can't use any of the money.

It is not very clear. It is funny. They loan you the money and you got to repay it whether you use it or not, whether they give it to you or not.

A (Mr. Lawson) We are obviously just sitting in limbo.

A (Mrs. Lawson) We are just waiting. I don't know what to do. We don't know what to do with it. We would like to use it.

A (Mr. Lawson) Will there be somebody out to tell us what we can use, what we can't use, when we can spend that money?

Q They should have previously explained to you that you are entitled to draw progress payments as you completed the construction of the property.

A (Mrs. Lawson) They didn't explain it. I have got to find that.

Anyway, it started within five months, I remember. So soon we will start repaying something --

A (Mr. Lawson) Maybe we need to go to Burbank and talk to somebody.

Q I'd talk to one of the disaster loan people and get it clarified just what procedure you need to go through in order to draw down on the approved amount. I am not that acquainted with the local procedures, but in general it is simply a matter of presenting your invoices as you receive them from time to time from the contractor that's completed the work, and you are showing that you approved it and you need an additional amount of money, whether they do it in increments of 5,000, 10,000, whatever their local procedure is here.

A (Mrs. Lawson) I don't know. I can't find it written here.

A (Mr. Lawson) We will do the best we can to do it the right way. Our problem is at this point in time we don't know what we have or how to do it. I assume we will find out.

A (Mrs. Lawson) Didn't they close the Small Business place here?

Q They have closed the one here and they will probably be closing the one in Burbank within the next two weeks. So I would suggest you give them a call and see what your schedule --

A (Mr. Lawson) Who will -- who do we deal with? Washington, D. C.?

Q No. The loan will actually go up to Sacramento. That is where they are now consolidating their offices.

A (Mrs. Lawson) I see.

A (Mr. Lawson) Do you just call them up on the telephone and tell them what you have done? Do you write them a letter?

Q You are going to -- I would assume -- have to mail them the statements as you receive them from the contractor. But I think you should go over and talk to them in Burbank and get this cleared up. I think it is a lot easier if you do it in person before they leave rather than trying to have to telephone them or do it by mail as to exactly what procedure you need to follow in submitting the statements on your rebuilding as it is contemplated in phases.

Do you know where the office is in Burbank?

A (Mr. Lawson) We have the address. We can look it up on the map.

A (Mrs. Lawson) Well, I can find it.

Here they have it. They have a map. That is just the way we stand. We aren't using the money. We are scared to.

Q I suggest you give them a call the first of the week and see just how long they are going to be there.

A (Mr. Lawson) Okay.

MR. POWERS: We appreciate your coming down this afternoon.

A (Mr. Lawson) I don't think we have been much help.

A (Mrs. Lawson) We don't know what we are doing.

MR. POWERS: I do appreciate your having taken the time to come over.

A (Mrs. Lawson) Maybe you have helped us. Maybe we better go to Burbank.

That was nice at least to give us that information. Pretty soon we are going to start and we are going to need some money.

(Whereupon, at 3:25 p.m., the deposition of MARGARETTE LAWSON and JOHN B. LAWSON was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, MARGARETTE LAWSON and JOHN B. LAWSON, acknowledge that we have read the foregoing deposition and that it is true and correct.

Margarette Lawson
MARGARETTE LAWSON

John B. Lawson
JOHN B. LAWSON

#91

Carol/gay
3:26p

DEPOSITIONS OF MR. AND MRS. JACK LYNN

Friday, April 24, 1981

SAN BERNARDINO, CALIFORNIA

- - -

JACK LYNN

SANDRA LYNN

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name, please?

A (Mrs. Lynn) Sandra Lynn.

Q And you had a home that was damaged or destroyed in the fire?

A Yes, it was destroyed.

Q Where is that located?

A 660 North Park Boulevard.

Q That is in San Bernardino?

A Yes.

Q Where are you living now?

A We are renting a house on Edgemont Court.

Q What is the address there?

A 3294.

Q You suffered how much damage to the home? Was it completely destroyed?

A Completely, except for the slab.

Q Did you have any insurance on the property?

A Yes, we did.

Q In additionto that, you are going to some need some financial assistance to rebuild the home?

A Yes, we are.

Q What is the amount of your SBA loan?

A $46,000, and that includes $10,000 on personal property.

Q Youare starting construction now or getting ready to?

A We are getting bids now. We finally got our prints back from the architect the first of the week.

We have been approved by the city and we have mailed the copies into FHA and we have prints out for bids now.

Q Under the terms of your loan, once you obtain the entire amount of it, your repayments will be $196 a month?

A Yes.

Q For 30 years, and this will pay back the original amount plus the interest at 3 percent?

A Yes.

Q None of the provisions of your loan, of course, will be changed but there are proposals to modify the program and change the interest rate owner loans, other future loans that someone might apply for.

The primary proposal under consideration right now is to increase the interest rate to 14 percent.

A Oh, my goodness.

Q In lieu of 3 percent. Had it been 14 percent in your case your monthly repayments would be $530 rather than $196.

A Yes.

Q Obviously no one wants to pay more money, but what would be the impact of that type of an interest rate on you? Would it make it feasible to rebuild your home?

A Not in our case, because our insurance was not adequate We would not have been able to.

Q Okay. As a taxpayer, you have obviously got an interest in the program, and also as a participant. In that dual role, what do you think of the use of your tax dollars to provide disaster assistance of the type that is being made available to you?

A We feel that we were very fortunate and we are very, very pleased with it. We and others we know would have no way to be able to replace what we lost, and this has been the only way that we can.

Q You think it is a good program?

A Excellent, excellent.

Q I know you have not had much to do with SBA so far, but what has been your experience to date?

A The people, all of the people that we have talked to on the phone or that we have talked to in person when they were here have been very, very kind and considerate and very informative and very willing to help us with any questions that we have had, and the instructions that we received in the mail were very clear and very precise. It was a lot of paperwork but believe me, we were glad to do it.

Q Were their other homes around yours that were completely destroyed, too?

A Yes, almost all of them on the block, except three.

Q Did your neighbors use SBA for a loan, too?

A Yes.

Q Do you think they would have been able to rebuild at an interest rate of 14 percent rather than 3?

A I doubt it. I really doubt that a lot of them could have. I don't know what personal resources they have, but, you know, I doubt it very much.

Q Would you have any recommendations as to how the program might be changed?

A Not really. We have been very pleased.

We were underinsured, and we have just felt that they have done, you know, everybody has been great, and that the program was, you know, almost tailored to meet our needs.

I mean, we couldn't have--it was a great opportunity.

Q Good. We appreciate very much your taking your time to come and talk to us about it.

A We were glad to, and I hope they reconsider on their

14 percent.

A (Mr. Lynn) Are they thinking about changing it?

Q It is a proposal that the President has made, and there is considerable support for it. I don't know what the outcome is going to be. We are basically talking to 100 or so individuals who have obtained a loan, disaster loan, for one reason or another.

We are presenting your statement and others to the members on the Senate for their consideration in deciding what they want to do on the proposal to increase it. I really don't know at this point what will happen.

A (Mrs. Lynn) This was a good chance for us to see, you know, that there is help at home. We read all the time about all these programs, you know, that the government is doing for this, that and the other. You know, it just makes us appreciative, and I think that shows our consideration for our own people.

MR. POWERS: Is there anything else you would like to add to your statements?

A No.

MR. POWERS: Again, we appreciate your coming this afternoon, and your information will be helpful.

(Whereupon, at 3:32 p.m. the depositions of Mr. and Mrs. Jack Lynn were concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, Jack Lynn acknowledge that I have read the foregoing deposition and that it is true and correct.

Jack Lynn

Jack Lynn

ACKNOWLEDGEMENT OF WITNESS

I, Sandra Lynn, acknowledge that I have read the foregoing deposition and that it is true and correct.

Sandra Lynn

Sandra Lynn

#92

Carol/gay
11:00 am

DEPOSITION OF MR. AND MRS. MARTIN KORSON

Monday, April 27, 1981

BURBANK, CALIFORNIA

- - -

MARTIN KORSON

CAROLINE KORSON

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Korson, on behalf of the House Small Business Committee I would like to welcome you here this morning. We certainly appreciate your coming and giving us your statement on the disaster assistance you received from SBA, and also your opinions regarding certain of the proposals now pending before Congress which may change this assistance.

You do understand that nothing you say here today will in any way affect the loan you have from SBA?

A (Mr. Korson) Yes.

A (Mrs. Korson) Yes.

Q State for the record your names, your business name, your position with the company, and its address.

A (Mr. Korson) My name is Martin W. Korson. My wife's name is Caroline J. Korson. The company is Sunshine Craft Gallery, Inc. It is a California corporation. The address is

6445 East Compton Boulevard, Paramount, California.

We are manufacturers of resin wall decor.

Q You are the president of the company, I believe?

A I am the president and Caroline is the secretary of the corporation.

Q And you employ at this time how many people?

A Approximately ten.

Q At the time of the flood disaster suffered by your business in February of 1980, how many employees did you have?

A About the same.

Q Were there periods after the disaster that your employment was reduced?

A Not due to the flood; due to the damage.

Q I see. In any event, as a result of the flood in February 1980, you suffered uninsured damage. You did apply to the Small Business Administration for a loan and received a loan of $16,600 at 5 percent interest for a period of ten years?

A That is correct.

Q This brings me to my first set of hypotheticals, Mr. Korson. If the assistance available from SBA to you were available not at 5 percent, but at 14 percent, which in the case of your loan would almost double your monthly payments, what would that have done to your ability to recover as a businessman after the flood disaster?

A Well, the payments being double, I don't believe I would have even pursued the loan. I believe 14 percent is unliveable for that type of problem.

Q There is another proposal regarding disaster assistance to businesses, and that would be to limit the amount of the loan to no more than 60 percent of the damage which a business would suffer in a flood or other disaster.

What do you think of that proposal?

A I don't believe that is a fair proposal for a small businessman. A small businessman like ourselves running a small company, we do not have the capability to raise money from other sources, and in a disaster of this nature, we have to look to someone, and hopefully the government can help the small businesses.

Q In this particular disaster, did you suffer any damage to your home?

A No.

Q Were any of your acquaintances in the business community damaged by this flood?

A Not to my knowledge.

Q Was your experience with the SBA loan program for small businesses suffering a physical disaster satisfactory?

A The people I dealt with were very pleasant and very helpful, but it was the timing, the lack of funds that they could lay their hands on to expedite the loans, it was a problem. It wasn't their fault or it wasn't that they didn't do the paperwork, but it is that the funds were not available. That is what our hang-up was, and it took from February until September because in May, when our loan was approved and everything was set up, there were no funds, and they had to wait until August for new funds to come in, and it was to September, but it was a lack of funds, not the personnel involved.

Q I see. Mr. and Mrs. Korson, if I understand your statement, to sum up, you would endorse a loan program to small business concerns suffering a physical disaster available to the extent of uninsured loss and available at an interest rate which would allow you to recover, get your cash flow started again in the event of a flood or similar disaster?

A We would, yes.

MR. GRANT: I would like to thank you both very much for coming again on behalf of the committee, and that will conclude your statement, unless you have something else you would like to say for the record.

(Whereupon, at 11:25 a.m. the depositions of Martin and Caroline Korson were concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Martin Korson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Martin Korson

ACKNOWLEDGEMENT OF WITNESS

I, Carolina Korson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Caroline Korson

DENNIS
11:10
dmt

#93

DEPOSITION OF RITA M. RHODES

Monday, April 27, 1981

BURBANK, CALIFORNIA

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RITA M. RHODES

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mrs. Rhodes, on behalf of the House Small Business Committee, I would like to thank you for coming this morning to give your statement bearing on disaster assistance you received and your views of certain changes now pending before Congress in regard to the disaster lending programs of the Small Business Administration. You do understand that nothing you say here will in any way affect the loan you have from SBA?

A Yes.

Q Would you state, please, for the record, your name and the address of the dwelling suffering the flood damage?

A My name is Rita M. Rhodes; 1174 Old Topanga Road. That is in Topanga Canyon.

Q In February of 1980, your home was seriously damaged by a flood. Would you briefly describe the result of that flood.

A The reason we got flooded out is because the culvert was clogged up and the water just -- across the street, when it got clogged up, the water came over the top of the road right into the house; tons and tons of dirt.

Q You will, however, be able to rehabilitate your home and move back in?

A We have already. It's all fixed.

Q In any event, for uninsured damage in the amount of approximately $30,000, you did apply for and receive from the Small Business Administration a homeowner disaster loan for $30,400 at an interest rate of 3 percent over a term of 20 years?

A Yes.

Q This results, I believe, in a monthly payment of approximately $170 a month?

A Yes.

Q This brings me to the first hypothetical question I would like to ask, Mrs. Rhodes: If this disaster assistance program had been available to you not at an interest rate of 3 percent but an interest rate of 14 percent, your monthly payments would be something over $350 a month, I believe. What would that do to your ability to re-establish as a homeowner in your community?

It would put us in a bind. It would be a little heavy trying to make those payments, plus the house payment, you know.

Q I realize it does double your payments. You had no direct loss in the business, but your husband, I believe you said, had some damage to a truck he uses in his business?

A He had a couple of trucks, yes.

Q What would have been the result if the loan assistance you received had not been available from the Small Business Administration at all?

A We would still be sitting in a house full of mud, shoveling it out ourselves, I guess.

Q Did many of your neighbors have a similar experience?

A Nobody. Just us. We live right on the creek. The creek -- we have been there 16 years, through two other floods. See, what was stuck in the culvert which should have -- like I said, the flood people ought to take care of -- were old water heaters people had thrown in the creek. It was clogged up. The water came over the top. My husband and I were standing there. All of a sudden I was up to my waist in water, dirt, and mud. It was unbelieveable.

Q Did you have a satisfactory experience with the Small Business Administration disaster lending program?

A Yes, I was very pleased.

Q You would then endorse this program at an interest rate of three percent as a way to help homeowners who suffered disaster, as you did, re-establish themselves in the community?

A   Yes.

MR. GRANT: Thank you very much, Mrs. Rhodes. We do again appreciate your coming and making this statement. I am sure it will be very helpful to the committee.

(Whereupon, at 11:17 a.m., the deposition of RITA M. RHODES was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, RITA M. RHODES, acknowledge that I have read the foregoing deposition and that it is true and correct.

Rita M. Rhodes

RITA M. RHODES

#94

Carol/gay
12:50 pm

DEPOSITION OF GEORGE HOFFMAN

MONDAY, APRIL 27, 1981

BURBANK, CALIFORNIA

- - -

GEORGE HOFFMAN

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q Would you state your name and address for the record, please?

A George Hoffman, 5885 Ramirez Canyon Road, Malibu, California.

Q Mr. Hoffman, your home was damaged recently by a disaster last year?

A Yes, 1980.

Q Would you briefly describe what happened, please?

A Well, there is a stream bed in front of the house, and it is wide and deep and carries the water nicely, no problem, but in 1980 there was some kind of a slide up the canyon which I feel was the responsibility of the road department, but that is another story.

Anyway, many, many thousands of tons of rock and gravel came down and filled the normal drainage and it flooded. I had a stream that was 40 feet wide and 4 feet deep that ran through my yard. In fact, the whole canyon was pretty well damaged, so I had to move a lot of dirt and rebuild walls and bridges and whatnot.

Q Did you have any insurance coverage on the property?

A No.

Q As a result of the disaster, you went to SBA and obtained a loan for $50,000, I believe?

A Yes, I did.

Q And have you completed your work with these loan proceeds or still under construction?

A Still under construction.

Q When it gets done, your payments will be approximately $213 a month for the next 30 years.

A I understand.

Q The interest rate on that is 3 percent, is that correct?

One of the proposals under review by the Administratio and by Congress is to change the interest rate on disaster loans The proposal would not in any way change your loan. It has been approved for 3 percent, and you will get the 3 percent regardless of what happens to this proposal.

As a hypothetical, if the interest rate on your loan had been 14 percent, which is the proposal now pending, your monthly payment would have been $577 rather than $213. Obviously, no one that borrows money wants to pay more than they have to, but on the other hand, you also wear a second hat; namely, that of a taxpayer.

A That is right.

Q In your dual role, what would you think of a proposal to make these loans available with that type of a repayment schedule? Would it help you as a disaster victim?

A Certainly, it would help me as a disaster victim. As a taxpayer, I would not be in favor of it.

I would not have had the money to do what I had to do, and had I not done it, I could have had more damage. Well, this year we didn't have much rain, but had we had heavy rains this year, I would have had more damage.

Just to dig the hole and put the walls up was $15,000 to get the dirt out of there, so I don't know what I would have done had I not had it, honestly.

Q What if you had only been able to obtain a percentage of your verified loss; namely, $15,000? What if the government program had only provided a percentage of that amount, 50 or 60 percent of that?

A I am not going to use the $50,000 as it is. I will probably use $30-35,000, and I think I can finish what I need to do with that.

Yes, I think if there has to be some tightening of the belt that is probably the best way to do it, give the percentage of it.

At least, if you have a problem, you can do something and get some things back in order. Maybe you can't do it all, but you can do part of it. In my case I had to do enough to protect myself from future damage.

Q You favor continuation of the 3 percent interest rates?

A Yes, or if you want to make it 4, but something very nominal.

People who have suffered--you know, I have a good job, and I make a fair salary. Somehow or other, I would have done something. But there are people who are a lot worse off than I was and could not have done anything. I feel sort of sorry for them. I know how it feels.

Q Do you have any criticisms of the program or recommendations for improvement in it?

A No. Considering governmental agencies, I thought it was pretty good. I had no real problems.

The only problem I had was they gave me $5,000 and the first bill was $12,000 and I had to scramble a bit for a while.

Q Is there anything else that you would like to add to your statement?

A Not really. I think that if this program is well-administered, and people who really need the money get the money -- there are people who don't need it. If it is paid back, I think it is a very good thing to have. As a taxpayer, I will say that.

Q On behalf of the committee, I appreciate your coming down here, giving us your views on your experiences with the disaster program, and your recommendations. It is only through talking to people who have participated in the program that we get firsthand knowledge how it operates and whether it should continue and under what conditions.

Again, we appreciate very much your coming down today.

A Thank you.

(Whereupon, at 1:00 p.m. the deposition of George Hoffman was concluded.)

- - -

ACKNOWLEDGEMENT OF WITNESS

I, George Hoffman, acknowledge that I have read the foregoing deposition and that it is true and correct.

George Hoffman

#95

Brad.
dmt

DEPOSITION OF DIANE FOSTER

Monday, April 27, 1981

BURBANK, CALIFORNIA

- - -

DIANE FOSTER

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. POWERS:

Q State your name and address for the record.

A Please, Diane Foster, 20382 Ravenwood, R-a-v-e-n-w-o-o-d Lane, Huntington Beach.

Q Mrs. Foster, you had a disaster occur to your home, I believe?

A Yes.

Q Would you briefly describe what happened, please?

A We flooded. We had rain through our ceiling and about three inches of water in our room.

Q Was there any insurance coverage on this?

A We come to find out we are Class A flood but it never came across in our house papers, so we have flood insurance now.

Q As a result you went to SBA and obtained a disaster loan for $25,400?

A Yes.

Q You are still in the home that incurred the damage?

A Yes.

Q It wasn't uninhabitable or anything like that?

A No.

Q Under the terms of your loan you are paying three percent over 28 years?

A Right.

Q One of the proposals that is under consideration, and one of the things we wanted to talk to some of the disaster borrowers about were the conditions of your loan. Since you have already received your loan, there is no possibility of changing it. We are talking in hypotheticals as far as you are concerned.

A Okay.

Q One of the proposals is to increase the interest rate, so that instead of paying $113 a month on principal and interest, as you have agreed to pay, it would be 14 percent interest on future disasters.

Now, in your position as both a disaster borrower and a taxpayer, what would be your opinion of an interest rate at that rate?

A Depends if we could afford it or not.

Q You could afford to pay 14 percent on your loan?

A Let's see, what would be 14 percent?

Q It would probably almost double your payment.

A No.

Q All right, did you attempt to obtain any financing from private sources before you went to SBA?

A No, we didn't know what we were going to do.

Q I assume it would be correct that you couldn't afford to pay the private rate that would be going?

A No, not on top of the house bills and everything else.

Q What recommendations, if any, would you have for changing the program? Is there any way that you would suggest it could be improved?

A Once they got the ball rolling, then it was all right. It took a long time of phone calling and transferring from this person to that person, not knowing what was going on and then when we would call, our records would be some place else and they couldn't find them or --

Q Unfortunately, I hope you don't have to call them again because they are being moved up to Sacramento shortly. Were you basically satisfied with the program?

A Yes, like I said, once it got going.

One thing I didn't understand, you had to show that you paid for whatever you were improving; you had to show the bill and the cancelled check before you received the money for it, which didn't make any sense to me.

Q Well, basically it was simply a matter of insuring that people used the money for the purpose for which it was intended?

A Right. Then we had to find the money, return the money.

Q Either that or they would disburse it to you upon presentation of the bill from the contractor.

A Okay, yes.

Q It was simply a matter of trying to keep track of the money.

A Right, that it is going for what it is supposed to go for, right.

Q Anything else you would like to add to your statement?

A No.

MR. POWERS: All right. Well, we appreciate your coming down, especially from Huntington Beach.

Thank you because it is only by talking to people that have borrowed from the program --

THE WITNESS: Do you work with SBA?

MR. POWERS: I work for the Small Business Committee of the House of Representatives, which oversees the SBA,enacts their legislation.

Again, thank you very much.

THE WITNESS: Thank you.

(Whereupon, 1:45 p.m., the deposition of DIANE FOSTER was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, DIANE FOSTER, acknowledge that I have read the foregoing deposition and that it is true and correct.

Diane Foster

DIANE FOSTER

#96

Dennis
dmt
2:50

DEPOSITIONS OF DR. BERNICE M. HOBSON AND MR. WALKER HOBSON

Monday, April 27, 1981

BURBANK, CALIFORNIA

- - -

DR. BERNICE M. HOBSON

MR. WALKER HOBSON

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Doctor and Mr. Hobson, on behalf of the House Small Business Committee,I would like to welcome you this afternoon and state that your statement and your views on certain of the procedures and changes in those procedures now pending before Congress is greatly appreciated.

You do understand this will in no way affect the loans you have from the Small Business Administration at this time?

A (Dr. Hobson) Yes, we do.

Q Would you both please state your name and for the record the address of the home which suffered the disaster?

A Dr. Bernice M. Hobson, 4281 Don Mariano Drive, Los Angeles, 90008.

A (Mr. Hobson) I am Walker Hobson at the same address, 4281 Don Mariano Drive, Los Angeles, California, 90008

Q Dr. Hobson, would you state for the record the date and nature of the disaster to your home?

A (Dr. Hobson) It has been a very long time. I think over a period of three years -- March -- March 4, 1977.

Q Which resulted in the first homeowner loan for $50,000, I believe?

A Yes, it did.

A (Mr. Hobson) Excuse me. I was talking about the occurrence. You asked about the loan.

A (Dr. Hobson) The occurrence was March 4, 1977. Would you like an explanation of the type of loss? Is this necessary?

Q No. Just a general statement is fine.

A The entire back yard. That included a 15-foot retaining wall, a recently installed jacuzzi we never got the chance to use -- the jacuzzi was installed at the request of our daughter's physician; she has chronic bronchitis -- and the entire slope, which went down into my neighbor's swimming pool and crashed the adjoining neighbor's retaining wall.

This was the first degree of damage.

The next year we received additional damage because we could not get an estimate that we could afford or that SBA would settle on. Each year that the rains occurred, we incurred more damages; so the partial foundation we lost the second year, plus half of the patio.

Q This then resulted in the 1978 loan?

A Exactly.

Q These two loans totaled approximately one for $50,000, one for $46,200, $96,200 that you did borrow from SBA as a result of uninsured loss?

A We have not received all of it.

Q It has not all been disbursed?

A No. The greater portion has because all of the work has not been completed yet.

Q This would bring us to our first hypothetical, Dr. Hobson.

Under proposals pending in Congress, the rate on homeowner disaster loans would be raised from 3 percent to 14 percent. On financing similar to that which you now have, this would result in payments totaling not $436 per month as present, but approximately $1,100 per month.

What would that change do to your ability to re-establish as a homeowner after a disaster such as you suffered?

A Well, frankly a change of that particular nature would convert SBA into the conventional lending agency's policies, and that a loan would disqualify us prior to the disaster Mr. Hobson and I had prepared for this particular time in our lives and we were almost solvent until this occurred.

With the tremendous cost to re-establish our home with that type of interest, we would not have been able to accept that loan. We would have had no alternative but to sell the house to salvage whatever we might gain out of it and attempt to get an apartment, which the payments on an apartment or a condominium would have been much higher than our total house note at this time.

I think that would be a disaster because for middle-class working people -- as Mr. Hobson and I are, and many others in our area who suffered damages -- SBA was a sort of a salvation to all of us.

Q You mentioned your neighbors were individuals in your community similarly situated, damaged to the same extent approximately that you were?

A Indeed so. Doctors Paxton next to me suffered almost the same type of damage. They had to secure your services also.

Q They did secure loans from the Small Business Administration?

A Yes, they did. We had another neighbor in an adjoining area. Of course, I think the psychological effect of all of it was too much. He suffered a heart attack as his house collapsed and he did die. It was -- I don't think anyone can appreciate the psychological damage that it does. Five minutes earlier my husband would have gone down the hill with it. He was standing in the yard at the time. The well divided in the middle and took the yard with it and half of the patio.

You feel your life's earnings that you have strived so diligently for to gain your respect and integrity and comfort, the whole thing has been, in a few moments, taken away from you. You have no recourse.

I think for SBA to change the status to a situation that is typical of the lending agencies at the price of being redundant, I think it would destroy so many people who have depended on it, not only in the middle-class brackets. I have been coming out here for a period of three years.

I have talked to individuals of an affluent nature. They were experiencing the same problems that we were. Our savings are exhausted and it has been a terrible experience for us.

Our daughter had to take a part-time position and take part-time college work rather than taking a full curriculum in order to give us some assistance.

The city, the Department of Building and Safety, they made very rigid stipulations in the restoration of the property which I am sure it was to cause the situation to be a safer one, but they refused to allow us to restore the slope with the same soil.

As a result, we had to import $30,000 worth of new soil to restore the slope with.

Each time that the plans were rejected at the Department of Building and Safety, this meant the geological engineer, the soils engineer, the surveying engineer, had to draw new plans which came to a total at one time of $15,000.

I don't see how we could have handled this. We would have lost everything, as I said, that we worked so diligently for over a period of 31 years.

Q Did you have a satisfactory experience with the personnel who assisted you?

A Here at SBA?

Q At SBA.

A I am very happy that you asked that because I have had a very satisfying experience from the inception of our need. Our first attorney was attorney Ray Taylor, from Atlanta, Georgia. I don't think you can appreciate how we felt when we came, not knowing whether we would receive assistance or not.

Also, the senior attorney here, who is a man of great compassion and understanding and fairness; and in the three years, we have had one humiliating and unpleasant experience here with attorney Rosenoff.

We were humiliated. We were embarrassed. Mr. Cottongaim was another highly sensitive and highly understanding person. So is Rick Lavell. They all extended themselves beyond what they were supposed to do to help us. They sent evaluators out. A Mr. Ben Keith came out several times. He stated that he had never seen anything like that in all of his life. He said, "But don't be depressed. Don't shed tears. We are going to help you."

You don't know what this can mean to you in a situation like that. Before his leaving, he had telephoned me and he said, "We are allowing you the additional $50,000 to complete your yard because the total sum was $58,000. This was the bid that we did accept.

When we came out here and Mr. Rosenoff saw that we were minorities, his total attitude toward us changed from speaking to me on the telephone, he was not aware. When we arrived here his total attitude changed and he was rude and obnoxious.

Other than that, you have been just jewels. We could not have made it without you.

Q Not to put words in your mouth, because you have stated your case so well, but you do endorse the Small Business Administration disaster loan program to homeowners and believe--

A 100 percent. 100 percent. But I don't think the rate should go up to 14 percent. I think that would be another disaster.

Q Thank you, Dr. Hobson, Mr. Hobson.

A (Mr. Hobson) I think it might be prohibitive as a matter of fact. Not only, as she said, as far as our neighbors were concerned, but people in Malibu, people in Laguna.

A (Dr. Hobson) Pasific Palisades.

A (Mr. Hobson) They suffered disasters similar to ours at about the same time, if not a little bit before. They had considerable earnings, more than we have. They simply could not have continued, though, without this additional help. It was so gratifying to hear it and hear them express it. That is all I have to say about that.

A (Dr. Hobson) There was no time limit to their services. Mr. Cottongaim would call at my office as early as 8:00. He would call at our home as late as 9:00 to work things out with me. I was trying to spare Mr. Hobson, who has ulcers from being a hearing officer for the State of California for many years. So, I was trying to handle as much of it as I possibly could, because without him, I just wouldn't have anything.

I would certainly endorse SBA without any reservations.

MR. GRANT: Fine. Thank you so much.

(Whereupon, the depositions of Dr. Bernice Hobson and Walker Hobson were concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

I, Dr. Bernice Hobson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Dr. Bernice M. Hobson

Dr. Bernice Hobson

I, Walker Hobson, acknowledge that I have read the foregoing deposition and that it is true and correct.

Walker a. Hobson

Walker Hobson

#97

Dennis
dmt
4:25 p.m.

DEPOSITION OF EMERALD JONES

Monday, April 27, 1981

BURBANK, CALIFORNIA

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EMERALD JONES

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Ms. Jones, on behalf of the House Small Business Committee, I would like to thank you for coming this afternoon to give us a statement regarding your experience with the SBA homeowner loan disaster program and in light of that experience your opinion on any of several proposals pending before Congress to change this disaster assistance lending program.

Would you please state again for the record your name and the home which you own which suffered the recent disaster?

A My name is Emerald Jones. I live at 839 Old Topango Road. That is the home that was so badly damaged.

Q What extent was the damage? Was it totally destroyed, a hundred percent damage?

A No.

Q Something less?

A The real damage was to a retaining wall, 110 feet long, about eight feet high. I lost most of it, and while the water went through the house and didn't do it any good and damaged the foundation as well, that portion was insured and it is the only part that was insurable. The wall itself cannot be insured. It is going to be about $30,000 to replace it, perhaps as much as $35,000.

Q I believe two loans from the Small Business Administration are involved, one in 1978 and one in 1980, is that correct?

A Yes.

Q Were they for approximately the same thing?

A Yes. I extended the existing wall an additional ninety feet in 1978 because I was suffering erosion damage. My house is right on a creek. The creek flows by it. On the downstream side there was a considerable amount of erosion caused in 1978.

Q That was a rather small loan, I believe, for about $8,000.

A Yes, it was.

Q In any event, as a result of the slide in 1980, you did apply for a Small Business Administration homeowner disaster loan for uninsured damage. The loan was granted.

A It is also uninsurable.

Q Yes, I understand.

A I wanted to point that out. I just had no alternative.

Q The 1980 loan was for $55,000?

A Yes.

Q At an interest rate of three percent?

A Yes.

Q And for a term of 30 years?

A Yes.

Q Ms. Jones, this would bring us to the first hypothetical question: If that loan were available to you in a disaster situation such as you experienced, not at three percent, but rather at a higher rate of 14 percent, resulting in a monthly payment not of $233, but rather of $634, what would that do to your ability to re-establish yourself as a homeowner after a disaster such as you encountered?

A I live by myself. I can't conceive of managing a payment of $634 plus a house payment, and the additional $75 which I believe is -- that is from the'78 SBA loan --

Q That is correct, yes.

A -- which I think has a ten-year maturity -- I couldn't conceive of doing that. That is $900, I believe. I bring home about $900.

Q Your SBA payment would be approximately $800 a month based on your former loan and if your new loan had been at a rate of 14 percent?

A No, I couldn't have done it. Nor would the property have been salvageable. At that point I don't believe the building -- I could have sold the wreck, I guess, but I don't know for what.

The damage to the property would have cost almost as much to fix it as it was worth.

Q Was your experience with the SBA-administered disaster loan for homeowners satisfactory?

A Other than the fact I was hysterial, they were kind enough to deal with me patiently. It is very, very difficult to go through a disaster.

Q Did any of your neighbors similarly situated encounter the same disaster you did?

A Not immediately, but yes, many of us -- there were, as I recall, something like 16 homes totally lost. A lot of people had so-called minor damage; i.e., they didn't lose their homes.

Q Did they avail themselves of the SBA disaster assistance program for homeowners as far as you know?

A Oh, yes. I am quite sure.

Q Do you think they might have been similarly situated as you, that they might not have been able to rehabilitate their property without the SBA program to your knowledge?

A Oh, yes. There are -- I don't think there are that many wealthy people up there.

Q Then if I can sum up your statement correctly, you do endorse the Small Business Administration's disaster homeowner loan program as a necessary and proper expenditure of taxpayers' money to assist homeowners who encounter a disaster as you did?

A I certainly do.

Q Do you have any further statements concerning the program or any changes you think should or need to be made?

A There is a great deal of duplication of effort in the opening cycle. There were a number of people who came out to the house separately who had to verify damage or the nature of it.

I can't recall now -- it has been well over a year -- but each of them came to verify the same damage for -- dependin upon what their need was. There was the temporary residence people. There were the state grant people. There was the -- and so forth.

I am sure you have heard this before. I can't recall now.

The people who insured the house verified the loss and then -- it just kept coming.

It sounds like a small thing, but every time I had to then go through all the trauma of having gone through it and describe it to another agency. It seems to me that as efficient as FEMA was in getting this all going, they could have perhaps coordinated those kinds of calls. I am sure they were expensive.

MR. GRANT: Again on behalf of the committee, Ms. Jones, thank you very much for giving us this statement which I am sure will prove very beneficial.

(Whereupon, at 4:35 p.m., the deposition of EMERALD JONES was concluded.)

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ACKNOWLEDGEMENT OF EMERALD JONES

I, EMERALD JONES, acknowledge that I have read the foregoing deposition and that it is true and correct.

Emerald Jones

EMERALD JONES

#98

Carol/gay
4:35p

DEPOSITION OF ISAAC BABAD

Monday, April 27, 1981

BURBANK, CALIFORNIA

- - -

ISAAC BABAD

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Babad, on behalf of the House Small Business Committee, thank you for coming this afternoon to give us your statement on the experience you had with SBA's disaster lending and, in light of your experience, your opinion on certain changes now pending before the Congress.

You do understand that the statment you make here today will in no way affect your loan from the Small Business Administration?

A I understand.

Q Would you state, please, sir, for the record, your name and the home which you owned, the address of the home you owned which was damaged.

A My wife's name, too?

Q Yes.

A Isaac and Miriam Babad, 918 Kenter Way, West Los Angeles, 90049.

Q Now, this disaster occurred, I believe, in February of 1980?

A Feburary 18, 1980.

Q Exactly what was the damage to your home?

A The extent of the damage was that the hill, the back hill, went and pulled part of the house along. Cracks occurred in the sewing room, in the kitchen, in the workroom downstairs, cracks in the walls and in the concrete, mind you, and the living room, part of the living room which is close to the kitchen, had been cracked, the ceiling.

The fireplace, which is also part of the living room, has been moved and the ceiling cracked above it. In 1962 I built a retaining wall. In order to regain flat ground, I built a retaining wall, and engineered a retaining wall. It was 60 feet long and eight feet above ground, three-and-a-half feet in the ground, with five-feet wide footing. Also, this wall moved down an inch-and-a-half, moved away from the solid--well, an inch and a half.

Q You are yourself an engineer?

A I am, a mechanical engineer.

Q You, I would assume, built this wall because you were unable to insure against these sorts of encounters. These earth moves in California are generally not insured against?

A I am sorry, I did not have. I have right now. Although it is not required for this loan to have it, I took it out, earthquake loan.

Q That would not cover you in a normal mudslide situation?

A The new one, you mean?

Q Yes.

A There are certain provisions there which are in fine print which I went to once, but I cannot recall exactly. I don't think it will be all covered.

Q All coverage, I am sure, is difficult. In any event, as a result of the February 1980 disaster, you had uninsured loss?

A Uninsured loss.

Q You did apply to the SBA for a homeowner loan and one was granted in the amount of $50,000 for a period of 30 years at an interest rate of 3 percent?

A Right.

Q If you were to have that assistance available from SBA today, and it were available not at 3 percent but at 14 percent, your resultant payment would not be $213 a month but approximately $577 per month. What would such a payment increase do to your ability to re-establish yourself as a homeowner in your present home?

A This year my wife went through open heart surgery, both valves, not just a bypass, both valves replaced. Luckily, she is 65. I am 71. And just to give you what Medicare paid --

and I have also Blue Shield -- Medicare paid out $57,000. That was 80 percent. The 20 percent was paid by Blue Shield. The total bill was $68,764.

Thank goodness, she is alive and feels good, and also that is how -- one of our daughters is a physician, and she is now with her mother, and she had some more complications, but now she is fine.

I am 71 years old--I am going to be 71 August 6. Because of the condition of my wife, I went back to work. I turned in my checks. My checks were $518 Social Security. My wife gets $334. That means if I would get sort of -- now I am healthy. If I would be sick and can't go back to work, $518 of mine, plus one-third of my wife's, would go into loan, and that probably would have to go for the rest of it, so this in a nutshell-- do you have anymore questions?

I am a tool and die maker, graduate engineering, tooling. I make now $2,200 a month, but what do people that were lucky to build a house like I did when I was making only -- in 1957 I was making only $100 a week, and I bought a lot. My wife was teaching, and so we saved up and we bought a lot and then I worked a night job. I held a night job and in the daytime I built the house.

What do other people do that don't have those qualifications that I do? What would they do? Disasters, and so on?

So, I am shocked and dismayed, especially that it came so close on the heels of the new elections. I voted for Reagan because I didn't like Carter. I didn't like Billy Carter. I called him Billy Carter's brother.

Anyway, it seems that the savings and loan and the banks put on the pressure right now. They want to put the United States Government out of the banking business. That is the way it is.

Don't you see it that way?

Q Well, you may feel free to make any statement at all.

A It is true. I can swear it is true.

Q Mr. Babed, then you do endorse --

A I beg your pardon?

Q You do agree with and endorse as a proper expenditure of taxpayer's money having a program as the SBA program available to assist homeowners who have encountered a disaster similar to the one you have after putting their life saving into a house?

A Sure I do. If I could be part of it to help, I would do it to keep it up because this is the only way.

Just like in times of Hoover, people will just commit suicide. People will do the worst to themselves if they have to lose their life savings, their home at the age of 65, 70.

Q Well, you have helped by coming here today. Thank you so much on behalf of the committee. I am sure your statement will prove very helpful to the committee in its deliberations.

(Whereupon, at 4:45 p.m. the deposition of Isaac Babad was concluded.)

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ACKNOWLEDGEMENT OF WITNESS

I, Isaac Babad, acknowledge that I have read the foregoing deposition and that it is true and correct.

Isaac Babad

#99

Dennis
dmt
4:55

DEPOSITION OF MR. AND MRS. HUANG

Monday, April 27, 1981

BURBANK, CALIFORNIA

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MR. WENTIEN HUANG

MRS. KUEIHSIANG HUANG

were called as witnesses and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. and Mrs. Huang, thank you very much for coming this afternoon to inform the House Small Business Committee of your experience with SBA's disaster lending program for homeowners and in light of that experience your opinion on certain changes now pending before Congress.

You do understand that nothing you say here today will in any way affect the loan you have from the Small Business Administration?

A (Mr. Huang) Yes.

A (Mrs. Huang) Yes.

Q Would you state, please, for the record, the address of the home which was damaged in the recent disaster?

A (Mr. Huang) 1837 Via Del Rey, South Pasadena, 91030.

Q What was the extent of the damage to your home?

A The extent of the damage was from a landslide on the hill and it covered the whole back yard. Some of the mud slid through the house. We had to clean up the mud from the back yard. It was supposed to be restored on the hillside, but we held on until the city engineer's report came out about our property.

Q As a result of this slide, you suffered extensive uninsured damage.

A Yes.

Q You did apply to the Small Business Administration for a homeowner disaster loan and received a loan, I believe, for $37,100 at an interest rate of 3 percent over a term of 20 years?

A I got approval of $37,100 but so far I have used up only $15,000.

Q It is not fully disbursed at this time?

A That is right.

Q I understand. One of the proposals pending before Congress would change the interst rate on a loan such as you received by raising that rate from 3 percent to 14 percent.

Again, realizing this won't happen to your loan, but if that were the case in the situation you experienced, you would have received a loan which would have been repayable not at $209 a month as you presently pay, but rather $451 per month. What would this have done to your ability to re-establish yourself as a homeowner in your community after that disaster?

A You mean at 14 percent?

Q Approximately 14 percent.

A It would be almost unbearable to pay back that amount at the 20-year interval. I probably repaired the minimum to make the living conditions liveable. I will improve as time comes.

I will not be able to repair the whole thing at one time. There might be a delay on the property value to raise up the standard in that area.

Q Was your experience with the SBA disaster lending program satisfactory?

A I have a few comments on this area. I understand the SBA stresses mainly the replacement. It did not emphasize the preventive.

I think the preventive is quite important on that hillside stabilization. For instance, on mudslide damage, if you put all the dirt back on the hillside, it costs a great amount of money to do it. Yet there is no effect on the future, no guarantee the mud won't slide back again.

In our case it would be more effective to put in a retaining wall. I understand the SBA doesn't cover those preventive types of things.

In my opinion -- my profession is engineering -- my opinion is it would be more effective to have a preventive than rigid guidelines on that portion.

Q Were any of your neighbors as unfortunate as you in having a mudslide do extensive damage to their property?

A Yes. There are two more houses around the corner. It is not on the same side, but the other side of the hill. There was very extensive damage also. Their living room is about two feet higher than mine. They are in much worse shape.

Q To your knowledge did they receive SBA disaster loans?

A I don't know. I don't know.

Q I would only ask you both at this time if there is any further statements you would like to make for the record regarding disaster assistance?

A Anything to say?

A (Mrs. Huang) I want to emphasize about the preventive type of help. I believe if our government can do that they could bring up more effect than the money that helped us because, without preventive type of work, whatever is spent could be just damaged again.

Q Again, thank you both so much for coming and giving us your views on disaster assistance. I am sure they will prove most helpful to the committee and its deliberations.

(Whereupon, at 5:05 p.m., the deposition of MR. WENTIEN HUANG AND MRS. KUEIHSIANG HUANG was concluded.)

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ACKNOWLEDGEMENT OF WITNESSES

We, WENTIEN HUANG and KUEIHSIANG HUANG, acknowledge that we have read the foregoing deposition and that it is true and correct.

Wen Tien Huang

WENTIEN HUANG

Kuei Hsiang Huang

KUEIHSIANG HUANG

#100

Dennis/gay
5:10p

DEPOSITION OF JOHN TAYLOR

Monday, April 27, 1981

BURBANK, CALIFORNIA

- - -

JOHN TAYLOR

was called as a witness and, after being first duly sworn, testified as follows:

EXAMINATION

BY MR. GRANT:

Q Mr. Taylor, thank you very much on behalf of the House Small Business Committee for coming this afternoon to give us your statement of your experience with the recent disaster and,in view of that, your opinion on changes now pending in the Congress.

You do understand that no statement you make here today will affect your loan from the Small Business Administration?

A Yes, I understand.

Q Would you state your name and the address of the home in Sherman Oaks which suffered the disaster in February 1980?

A John Taylor, 13480 Contour Drive, Sherman Oaks.

Q What was the nature of the disaster to your home there?

A Mudslide.

Q Which damaged approximately what percent of your property?

A Oh, one-third of the structure and probably a quarter of the yard, 25 percent of the yard.

Q Did you have any insurance at all to cover that?

A No.

Q Had you tried to get that insurance in the past?

A I have lived in that house for 12 years. I never felt like I needed it.

Q In any event, as a result of uninsured damage, you did apply to the Small Business Administration for a homeowner disaster loan. You did receive a loan for, I believe, $25,100 at an interest rate of 3 percent for a term of 20 years?

A That is correct.

Q This would lead to our first hypothetical question, Mr. Taylor. Payments on your loan now run $141 a month. If one of the changes being considered by Congress -- and that change is to raise the interest rate on such a loan to 14 percent -- were to take effect, your loan would be repayable at a monthly figure of approximately $305 per month rather than $141.

What would this do to your ability to re-establish as a homeowner in your community?

A I would probably have to repair as much damage as I possibly could, sell the house, and move out.

Q Did you have neighbors experiencing a similar disaster at the time you did?

A Not really to the extent of the damage to my house. My neighbors have just some yardage. My house was situated such that the mud came down the hill and crashed through the house, came into the house, whereas my neighbors didn't experience the same problem that I had.

Q I assume that if there had been no disaster assistance available at all from the government through the Small Business Administration or another lending agency, your answer would have been the same as to what procedure you would have had to use if you were forced to commercial rates or a second trust rate of 20 percent or more?

A I probably would have sold the house as a fixer because I have lived there long enough that I have enough equity that I could probably absorb the loss. I couldn't absorb it, but I would just -- it would just --

Q Throw it away?

A Yes. I would just throw away the equity.

Q Was your experience with the SBA disaster loan program for homeowners satisfactory? Was it administered to your satisfaction?

A Yes, yes, there were no problems at all.

Q Then you believe it is a worthwhile program and a good use of the taxpayer's money for those experiencing a disaster and similarly situated to you in a disaster?

A Yes. I feel it is a very worthwhile program. There are a lot of people in the same financial situation that I am in. I work every day for a living. I have a month or two reserve, and that is about all. There are a lot of people that aren't nearly as fortunate as I am. I don't know how in the world they could repair their damages, even at 3 percent.

Q Mr. Taylor, again, on behalf of the committee, I certainly thank you for making the statement. I am sure it will prove very helpful in the committee deliberations.

A I would like to say we pay taxes, and the government should give something back to the people, people like myself. I have been paying taxes for 23 years. I have never asked for anything. When we had the earthquake, I lived in that house. I could have gone down like a lot of other people and got unnecessary money and never paid it back, like I know a lot of people did, but I am talking about something worthwhile.

We need it. The government -- maybe they want to change the rules because they fouled up in the past, like the earthquake, but if someone stays on top of it, I think that it is good for everyone.

MR. GRANT: Again, thank you, Mr. Taylor, for coming and making the statement.

(Whereupon, at 5:15 p.m. the deposition of George Taylor was concluded.)

ACKNOWLEDGEMENT OF WITNESS

I, John Taylor, acknowledge that I have read the foregoing deposition and that it is true and correct.

John Taylor

John Taylor